

Comprehensive Annual Financial Report

Year Ended September 30, 2004

	P.A. 2 of 196 nment Type Town		Village	Other	Local Governm	eni Name OF NEWAYGO		NEWA	YGO
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Yes	<b>√</b> No	4.	The local u	unit has vio	plated the conder issued und	ditions of either an order er the Emergency Munici	er issued under t ipal Loan Act.	he Municipa	I Finance Act or
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Yes	<b>√</b> No	6.	The local u	nit has beer	n delinquent in	distributing tax revenues	that were collecte	ed for anothe	r taxing unit.
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### County of Newaygo Comprehensive Annual Financial Report

**September 30, 2004** 

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### COUNTY OF NEWAYGO, MICHIGAN List of Elected Officials September 30, 2004

### **COMMISSIONERS**

Gerald W. Derks, Jr., District 1 Rosswell H. Fulton, Jr., District 2 Stanley DeKuiper, District 3 James F. Maike, Jr., District 4 Lavern Willett, District 5 Timothy M. Purcell, District 6 Mary K. Balberde, District 7

### **COUNTY OFFICIALS**

Laurel J. Breuker, Clerk Arlan G. Jackson, Treasurer Norman L. Ochs, Surveyor Cynthia J. Sullivan, Drain Commissioner Chrystal Roach, Prosecutor Linda M. Landheer, Reg of Deeds Michael S. Mercer, Sheriff

### **DISTRICT COURT JUDGE**

H. Kevin Drake

### **CIRCUIT COURT JUDGES**

Anthony A. Monton, Chief Judge Terrance R. Thomas

### PROBATE COURT JUDGE

Graydon W. Dimkoff



P.O. BOX 885 1087 NEWELL WHITE CLOUD, MICHIGAN 49349 FAX (231) 689-7205

March 1, 2005

Members of the Board and the Citizens of the County of Newaygo:

The Comprehensive Annual Financial Report of the County of Newaygo, Michigan, for the fiscal year ended September 30, 2004 is submitted herewith. The financial statements included in this report have been audited by Pridnia LaPres, PLLC, an independent firm of certified public accountants. The report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable State statutes and Generally Accepted Accounting Principles (GAAP) as stated in the Governmental Accounting Standards Board statements and interpretations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. As management, we believe that the data, as presented, is accurate in all material aspects, and that it is presented in such a manner as to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its funds.

The independent audit of the financial statements of the County of Newaygo was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of Newaygo's separately issued Single Audit Report.

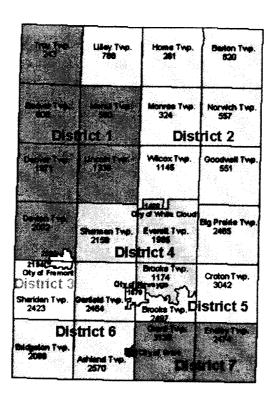
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Newaygo's MD&A can be found immediately following the independent auditor's report.

#### **REPORTING ENTITY AND ITS SERVICES**

#### **General Information**

Until 1836, the Newaygo area was inhabited by mainly Native Americans. The lumbering industry took its foothold in the territory at this time and began drawing people into the area. In 1851, Newaygo became an official county of the State of Michigan. The estimated 2003 population was 49,271 with substantial growth expected for future years. Newaygo County encompasses an area of approximately 842 square miles and is located in the western Lower Peninsula. The County is comprised of 4 cities, 1 village, and 24 townships.

Newaygo County by Commissioner



The County is located in the west-central part of Michigan's Lower Peninsula. With 234 natural lakes and ponds, 356 miles of rivers and streams, and 349,132 acres of forest land, Newaygo County has become a prime area for recreational activities including hunting, fishing, canoeing/boating, hiking and camping. The County is also located in close proximity to the City of Grand Rapids.



The Board of Commissioners is the governing board and policy-making body of the County of Newaygo. While many of its powers, duties and responsibilities are prescribed by law, and diffused through the wide-spread use of commissions, boards, committees, and independently elected county officials, the Board is in charge of developing and approving County policy and setting the County budget. The County Administrator is responsible for carrying out the policies and ordinances of the Board of Commissioners, for overseeing day-to-day operations of the government, and for appointing the heads of various departments. The County's legislative body is a seven-member board which is elected from single-member districts, determined by population, on a partisan basis for two-year terms. The Board annually elects from within its ranks a Chairman and Vice-Chairman by majority vote.

The financial reporting entity of the County of Newaygo includes all funds and account groups of the primary government as well as all of its component units, Component units are legally separate entities for which the primary government is financially accountable. The County provides a full range of services that are either mandated by State statute, or authorized by the County Board of Commissioners. These services include legislative, judicial, public safety, public works, health, welfare, cultural, recreational, capital improvements, and general administrative services including vital statistics and record keeping for births, deaths, and property.

The County adopts its annual budget in accordance with the State Uniform Budgeting and Accounting Act. The general, special revenue and debt service funds are under formal budgetary control. All departments of the County of Newaygo are required to submit budget requests to the Finance/Ways & Means Committee of the Board. The Administrator then presents a proposed budget to the Board for review. The Board holds public hearings in September and a final budget is approved prior to September 30, the close of the County's fiscal year. The appropriated budget is prepared by fund and department. Management can do transfers within funds at the departmental level without the governing Board's approval. Transfer of appropriations between funds, however, requires special approval of the Board.

#### Agriculture as a Key Industry

Agriculture is a key industry in Newaygo County and for many of our rural counties throughout the state. There may be some debate on whether tourism or agriculture is the second most important industry in Michigan but in Newaygo County agriculture is number one. Annually, Newaygo County farms produce over \$60 million in sales, nearly three times the rate of the state on a per capita basis. In addition, our single largest employer is engaged in agricultural food processing. In total, it is estimated that a least 20 percent of Newaygo County's direct economic output is tied to the agriculture industry. The indirect impact of the dollars circulating through the economy would raise the percentage even higher.

Newaygo County's largest employer, Gerber Products, is in the agricultural food processing business – best known for baby food. Gerber began as a family owned business in Fremont, Michigan in 1928. Today, Gerber Products is headquartered in New Jersey and is part of Novartis, a multi-national corporation headquartered in Switzerland.

### **ECONOMIC DATA FOR NEWAYGO COUNTY**

The expansion and diversification of the Newaygo County economy continued in 2004 as employment, population and property values continued to climb. In general, the economic condition of the county is strong, especially in light of negative trends in manufacturing employment at the national and state level. Some of the highlights of the year include:

- > Continued strong growth in population
- > Strong increase in the number of residents with a job
- A decrease in the county unemployment rate.
- > Strong retention of existing manufacturing jobs.
- > Strong growth in equalized valuations.

#### **Population**

Newaygo County has been and continues to be one of the fastest growing counties in the State of Michigan and nation. From 1990 to 2000, the population of Newaygo County grew from 38,206 to 47,874, an increase of 9,668 or 25.3 percent. Just how strong has population growth been? During the 1990's, only 249 counties in the U.S. (out of 3,141) grew at a faster rate and added more people than Newaygo County. In Michigan, only two counties grew faster and added more people during this period.

The most recent estimate puts the population of Newaygo County at 49,271 as of July 1, 2003. This is an increase of 2.9 percent since the 2000 Census and represents a growth rate that is twice as fast as the state. The strong population growth of the past 10+ years is reflective of the outstanding quality of life that Newaygo County offers.

### **Employment**

Employment trends in Newaygo County have been positive especially in light of the most recent national recession and continued slump in the manufacturing sector across the state and nation.

During 2004, employment based on residence in Newaygo County grew by 525 to a level of 20,225. This represents a increase over the previous year. The number of unemployed resident fell by 450 during the year. The combination of job growth and a reduction in the number of unemployed person lead to a significant decrease in the County's unemployment rate from 10.2 percent in 2003 to 8.0 percent in 2004. Newaygo County's unemployment rate in 2004 remained above the state and national rate of 6.8 percent and 5.5 percent, respectively.

Given Newaygo County's close proximity to major employment centers in Grand Rapids and Muskegon, it is not too surprising that almost half of the labor force living in Newaygo County works outside our borders. This is also the result of people moving to Newaygo County and keeping their jobs in these other employment centers. However, job growth as measured by the place of business has also been very strong in Newaygo County over the last 10+ years. In fact, from 1990 to 2002 (the last year with annual data), more than 2,500 jobs have been created in Newaygo County. Today, there are approximately 11,000 jobs in Newaygo County, an increase of about 30 percent since 1990.

As compared to the state and nation, manufacturing employment in Newaygo County has fared quite well. Since 1999, manufacturing employment in the United States has fallen by about 21 percent and has dropped 25 percent in the State of Michigan. In contrast, manufacturing in Newaygo County has fallen just 5 percent during this period. Given this slight drop, the manufacturing employment in Newaygo County remains at or above 1990 levels. Our losses in manufacturing have been softened by our concentration in manufacturing in non-durable goods that were not hit as hard by recessions and also by a strong retention program through the Newaygo County Economic Development Office (NCEDO) in partnership with state and local officials.

Employment performance in Newaygo County can be summarized as follows:

- > Impressive employment growth by place of residence
- > Strong overall manufacturing trends
- > Relatively high unemployment rate that is primarily due to strong local labor force growth over the last few years.

#### **Major Employers**

Employer	City	Product/Service	Employees
Gerber Products	Fremont	Baby Food	1,300
Dura Automotive	Fremont	Metal Stampings & Assemblies	535
Magna Donnelly Corporation	Newaygo	Automotive Doors & Mirrors	505
Gerber Memorial Health Services	Fremont	Health Care Services	470
Wm Bolthouse Farms	Grant	Vegetables	250 Seasonal
County of Newaygo	White Cloud	County Government	200
Wal-Mart	Fremont	Retail Department Store	195
Gerber Life Insurance Company	Fremont	Life Insurance	165
Newaygo Medical Care Facility	Fremont	Health Care Services	150
North American Refractories	White Cloud	Refractory Products & Furnace Linings	125
Pine Medical Group	Fremont	Health Care Services	110
Transitional Health Services	Fremont	Health Care Services	105
Valspar (Lilly) Industries	Fremont	Lubricants & Oil Additives	100
TOTAL EMPLOYERS	13	TOTAL EMPLOYEES	4,210

Source: Michigan Works! West Central

#### **Property Values**

According to the State of Michigan Department of Treasury, equalized values (50 percent of full market value) increased by 8.5 percent in Newaygo County in 2004 as compared to 6.2 percent for the state. Since 2000, equalized values in Newaygo County have grown 43.9 percent, which is also faster than the state growth rate of 38.0 percent.

Equalized values on a per capita basis were \$33,133 in 2004, as compared to \$38,951 for the state. Much of the differential between Newaygo County and the state is in commercial and industrial property values. This is fairly typical for a rural county like Newaygo. Commercial development typically follows population growth and Newaygo County is beginning to see an increase in commercial developments. A new Wal-Mart Super center is under construction in Fremont and a new multi-tenant development is underway in the City of Newaygo.

### **Technology**

Newaygo County is one of the most technologically advanced rural areas in the Country! A fiber optic cable telecommunication network exists that supports data, video, and voice communication capabilities that are available to all county residents. The network connects schools, municipal buildings, libraries, the hospital, private non-profit agencies, and area businesses making accessible universal Internet connectivity, technology labs, two-way interactive video classrooms, and telecommunications services. Broadband Internet connections are available in most areas of the county through cable, DSL or wireless service.

### FACTORS AFFECTING FINANCIAL CONDITION

Recovery from the recession that started in the first quarter of 2001 has been delayed in part due to uncertainties stemming from the war in Iraq including the possibility of terrorists' attacks here in the U.S. and the increasing price of oil. Currently there are three main factors that could further affect the state of the economy over the next few years: 1) continuing conflict in the Middle East; 2) minimal consumer spending; and 3) low factory production.

Michigan's economy has probably fared worst then most. The decrease in State Revenue and necessary budget cuts to provide a balanced budget which was already felt in the 2003-2004 fiscal years is expected to continue in 2005.

The federal and state budget deficits continue to remain at a crisis level and therefore the shifting of activities and requirements to the local level continues to be an issue. Although those at the Federal and State level continue to try and fund some of these items, we continue to experience a significant loss in support, but not a reduction in requirements. Newaygo County continues to strive to create a stable financial future. However, as revenues continue to decrease corresponding reductions in services will eventually follow.

### MAJOR INITIATIVES

### Facility and Related Improvements

The County funded several major maintenance initiatives for the campus in 2003-2004 as follows:

- Replaced two Roof tops on the Jail: Cost of the replacement was over \$33,000.
- Installed a new air conditioner in the Server Room in the Administration Building

### • A new generator for the Jail:

The existing generator only supplied a partial electric supplement to the system and was at least 20 years old. Although, it was well maintained and operationally adequate, replacement parts were very difficult to purchase. We therefore determined that a new generator would better serve the County's needs. We intend to have the engineering bids completed and the new generator wired into the system in 2004.

### • New Air Conditioning Units in the Animal Shelter

#### **Technology Updates and Program Changes**

#### • New County Financial Software:

In 2003, the County finished evaluating the possible financial software systems that were available and chose New World Systems as the financial software for Newaygo County. The first phase was to implement accounts payable and the general ledger starting in October, the beginning of our fiscal year. We began the project in July of 2003 and successfully implemented general ledger and accounts payable systems. We continued by implementing the payroll system which integrates with the other financial programs. That was completed and operational with the first payroll in 2004. As with any major changes in computer software, there were glitches and problems that needed to be resolved. Everyone was aware of these possibilities prior to implementation and although the systems were trying at times, we believe that this will be a long term success story for the financial systems of Newaygo County. It will allow better and more complete financial analysis and they will actually save money because of less need for highly technical computer programmers to operate the system.

#### • 800 MHz Grant:

Newaygo County received a \$298,000 grant from the federal government Homeland Security to purchase 800 MHz radios that could be tied into the State's 800 MHz system. The program was initiated by our police and Central Dispatch to enhance the communications within our public safety system. We believe this system will provide for more safety for our police officers, better and clearer communications network. In fact, this system has been tested and the portable radios are so efficient that there is a 98% communication capability within the County. There are very few dead spots and the enhanced access allows the public safety officers to communicate at a very high level while in buildings. The collaboration between the State Police allowing the County to use its towers for the 800 MHz system coupled with the grant and the ability to provide the 800 MHz radios to all police within the County has enhanced Newaygo County Public Safety personnel's abilities to provide better public safety.

### Upgrade of Data Cabling Wiring:

We upgraded the data cabling wiring in the Courthouse complex to allow for the enhanced speed capabilities for the digital network. The Courts received a grant to enhance their data capabilities, but this grant only covered a portion of the Courthouse system. The County supplemented the grant to upgrade the entire Courthouse to the most current wiring system available.

### **Economic Development and Grant Programs**

### • Economic Development:

Economic Development is one of the major programs that will build long term structural support for the County's economic base. It will help build the foundation for the County to proceed over the growth years that are coming.

### • Grants Program:

The County has created a grants initiative program where townships, cities, and county departments can be assisted by our Economic Development Coordinator and our Land Use Educator in submitting grant applications for projects that have been evaluated by the grant initiative team and are deemed to be projects that could be successful in receiving grant monies.

Respectfully submitted,

faurie M. Dracik

Laurie M. Gracik Interim Administrator

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Responsibility for the integrity of the financial data presented rests with the County. I believe the data to be accurate in all material aspects. These financial statements are prepared in accordance with Generally Accepted Accounting Principles applicable to county government and State statutes.

The County maintains a system of internal controls to provide reasonable assurance that the books and records reflect authorized transactions of the County.

Pridnia LaPres, PLLC, independent certified public accountants, have audited the accompanying financial statements, and the supplemental financial information has been subjected to the auditing procedures applied in their audit. Pridnia LaPres, PLLC's report is included in the financial section of this report.

Laurie M. Gracik

Interim Administrator

### **ACKNOWLEDGEMENT**

I would like to express our gratitude to all members of the Newaygo County Board of Commissioners for their interest and support in planning and conducting financial operations of the County of Newaygo in a responsible and progressive manner.

Sincerely,

Laurie M. Gracik

Interim Administrator

801 W. NORTON AVE. - 4TH FL. MUSKEGON, MI 49441-4155 TEL: 231-739-9441 FAX: 231-733-0031



### Independent Auditors' Report

To the Board of Commissioners of the County of Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Newaygo, Michigan, as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Newaygo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not include the financial activities of the County Road Fund and the Medical Care Facility Fund which should be included to conform with accounting principles generally accepted in the United States. It is not known what effect omitted component units' assets and revenues would have on the financial statements.

In our opinion, except for the departures described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Newaygo, Michigan, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2005, on our consideration of the County of Newaygo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress on pages 21 through 30 and pages 74 through 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Newaygo's basic financial statements. The combining funds statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining funds statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Muskegon, Michigan January 14, 2005

Pudura LaPus, PLLC

### Management's Discussion and Analysis

As management of the County of Newaygo, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-13, of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$23,468,572 (net assets). Of this amount, \$11,118,080 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,907,938. Approximately sixty nine percent of this total amount or \$2,693,658 is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$366,916 or 3.6 percent of total General Fund expenditures (including operating transfers).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Newaygo County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community development, recreational and culture, and other functions. The business-type activities include the administration of the delinquent property tax system.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also includes one legally separate entity: Newaygo County Central Dispatch Authority (E-911). Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 32-35 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 49 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Public Works Construction, Drains, County Jail and Special Assessments, each of which is considered to be a major fund. Data from the other 44 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue, debt service, capital projects and permanent funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

**Proprietary funds.** The County maintains two types of proprietary funds. Enterprise funds report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Delinquent Tax Revolving Fund (516-516995).

The County maintains *internal service funds* to account for and allocate costs internally among the County's various functions. The County uses 21 internal service funds to account for the following functions: information services, duplicating, telecommunications, equipment pool, building and grounds, campus security and protected self-funded insurances (both liability and employee fringe benefit insurances to employees). Because these services predominantly benefit governmental functions, they have been included with *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 42-44 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 45-46 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-71 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to combining statements and schedules. Combining and individual fund statements and schedules can be found on pages 78-115 of this report.

### GOVERNMENTAL WIDE FINANCIAL ANALYSIS

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Newaygo, assets exceeded liabilities by \$23,468,572 at the close of the most recent fiscal year.

### **Statement of Net Assets:**

### County of Newaygo Net Assets

	Governmental Activities		Business-type Activities		Total	
Comment	2003-2004	2002-2003	2003-2004	2002-2003	2003-2004	2002-2003
Current and other assets Capital assets Total Assets	\$18,632,031	\$18,235,854	\$8,550,739	\$8,244,147	\$27,182,770	\$26,480,001
	13,149,296	13,669,116	000	000	13,149,296	13,669,116
	31,781,327	31,904,970	<b>8,550,739</b>	<b>8,244,147</b>	40,332,066	40,149,117
Long-term liabilities outstanding Other Liabilities Unearned Revenues Total Liabilities	10,650,127	10,932,375	1,865,000	987,000	12,515,127	11,919,375
	3,457,592	1,818,561	565,566	1,655,116	4,023,158	3,473,677
	325,209	398,099	000	000	325,209	398,099
	14,432,928	13,149,035	<b>2,430,566</b>	<b>2,642,116</b>	16,863,494	15,791,151
Net Assets: Investment in capital assets, Net of related debt Restricted Unrestricted Total Net Assets	10,769,296	11,059,116	000	000	10,769,296	11,059,116
	1,581,196	1,836,426	000	000	1,581,196	1,836,426
	4,997,907	5,860,393	6,120,173	5,602,031	11,118,080	11,462,424
	<b>17,348,39</b> 9	18,755,935	6,120,173	<b>5,602,031</b>	23,468,572	<b>24,357,966</b>

The largest amount of County net assets is cash and investments with capital assets a very close second. This level of cash and investments is considered favorable as most entities report capital assets as their largest asset.

Capital asset's includes land, buildings, vehicles and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt should be provided from other sources, since the capital assets themselves cannot readily be used to liquidate these liabilities. The County levies taxes in December for the following year's operations.

In addition to the net assets invested in capital assets, net of debt, certain other restrictions on the use of net assets apply due primarily to legal guidelines. These restricted net assets total \$1,581,196. The remaining balance of *unrestricted net assets* (\$11,118,080 or 47 percent) may be used to meet the government's ongoing <u>obligations</u> to citizens and creditors.

### County of Newaygo Changes in Net Assets

-	Governm Activit		Busines Activ		Tota	al
_	2003-2004	2002-2003	2003-2004	2002-2003	2003-2004	2002-2003
Revenues:			2001	2002-2005	2003-2004	2002-2003
Program revenue:						
Charges for services	\$7,625,710	\$8,402,919	\$260,441	\$418,461	\$7,886,151	\$0.001.00A
Operating Grants and contributions	3,662,264	4,187,662	000	000	3,662,264	\$8,821,380
Capital grants	000	000	000	000	000	4,187,662
Special Assessments	000	3,532,683	000	000	000	000
General revenues:		, ,	000	000	000	3,532,683
Property taxes	7,173,439	6,865,109	000	56,515	7 172 420	
Grants and contributions not restricted		-,,,	000	30,313	7,173,439	6,921,624
to specific programs	1,418,783	1,049,371	000	000	1 410 700	
Investment earnings	171,050	168,156	000	000	1,418,783	1,049,371
Other	1,898,089	2,960,396	1,317,907	1,520,235	171,050	168,156
Total revenues —	21,949,335	27,166,296	1,578,348	<del></del>	3,215,996	4,480,631
		27,100,270	1,370,340	1,995,211	23,527,683	29,161,507
Expenses:						
Legislative	278,898	000	000	000	270 000	
Judicial	3,136,563	2,995,551	000	000	278,898	000
General government	3,074,455	7,377,986	000	000	3,136,563	2,995,551
Public safety	6,514,415	5,796,113	000		3,074,455	7,377,986
Public works	3,649,120	268,252	000	000	6,514,415	5,796,113
Health and welfare	6,000,546	5,844,782	000	000	3,649,120	268,252
Community Development	109,293	000	000	000	6,000,546	5,844,782
Recreational and culture	325,033	238,301	000	000	109,293	000
Other	203,337	249,147	000	000	325,033	238,301
Debt Service Interest	420,088	284,738	000	000	203,337	249,147
Other Proprietary Funds	000	000	757,639	000	420,088	284,738
Total expenses	23,711,748	23,054,870	<del></del>	674,693	757,639	674,693
-		23,034,070	<u>757,639</u>	674,693	24,469,387	23,729,563
Increase in net assets before transfers						
to other funds and component units	(1,762,413)	4 111 426	000 500			
Transfers	354,877	4,111,426	820,709	1,320,518	(941,704)	5,431,944
Change in net assets	(1,407,536)	1,284,574	(302,567)	(1,223,385)	52,310	61,189
Net assets, beginning of year	18,755,935	5,396,000	518,142	97,133	(889,394)	5,493,133
Net assets, end of year	\$17,348,399	13,359,935	5,602,031	5,504,898	24,357,966	18,864,833
The Control of the Co	317,340,399	18,755,935	\$6,120,173	\$5,602,031	\$23,468,572	24,357,966
						- 1,1,500

### **Governmental Activities**

The Statement of Activities shows that the primary government's net assets decreased by nearly \$1.5 million dollars in 2004. When the funds are looked at individually we find the General Fund using almost \$475,000 of fund balance while the non-major funds decreased their collective fund balances by approximately \$500,000. The fund balance use in the General Fund was a significant over expenditure caused by the lack of revenue received. In addition there were several projected uses of designated fund balance. The majority of the non-major fund decrease was caused by increases in childcare fund expenditures and increased jail expenditures.

#### Revenues:

Program charges for services

Program charges for services activity totaled \$7,625,710. Approximately 42% of that activity is generated in the special assessment fund. The other approximately 58% was generated by general fund charges of \$1,708,975, County Jail charges of \$1,209,305, and Non-Major Fund charges of \$1,491,915.

Program operating grants and contributions

A major portion of this activity is generated in the general fund consisting of revenue sharing, court equity funds and of the special revenue fund amounts like Pride Youth Programs, Friend of the Court, Community Development, Child Care and Social Services.

Property taxes

Taxes totaled \$7.2 million in 2004 as compared with \$6.8 million in 2003. This is due to the increase in taxable value from new construction and the expiration of business tax exemptions for companies located in Newaygo County.

Investment earnings

Our investment earnings remained low in 2004 due to the fact that we continued to experience a weak financial market and decreases in cash balances.

#### Expenses:

Legislative Expenses

Legislative Expenses were \$278,898.

Judicial Expenses

Judicial Expenses were \$3,136,563 which included General Fund expenditures and Non-Major other Governmental Funds. The specific breakdown was:

General Fund \$2,336,494 Non major (FOC) \$ 623,676

The judicial expenditures were 32.8% of the total expenditures for the General Fund. This is consistent with previous years presented total.

### General Government

General Government was \$3,074,455. In the General Fund the General Government category totaled \$2,563,220 this equated to 36% of the total expenditures. This presented total is consistent with previous years. The General Government category includes departments such as the Prosecutor, Board of Commissioners, Administrator, Accounting, County Clerk, Treasurer, Equalization, Personnel and Payroll Department. The largest expenditure in the General Government category is the Prosecutor at \$696,433 approximately 23% of the total.

### Public Safety

Public Safety totaled \$6,514,415, of which \$718,172 in the General Fund. \$2,558,688 is in the Jail Fund and \$2,540,650 is in the Non-Major Governmental Funds. The larger amounts in the Non-Major Governmental Funds are Sheriff's Road Patrol at \$1,307,266; Building Safety and Permits at \$406,829; Animal Control at \$135,946; County Jail Trustee Management \$107,796; Emergency Services at \$152,338 and the Transport Fund for the Jail at \$138,291.

#### Public Works

The Public Works amount was \$3,649,120 of which \$3,205,364 was capital outlay for the Chain of Lakes Project.

#### Health and Welfare

Health and Welfare totaled \$6,000,546, of which the General Fund amount was \$754,935; the Non-Major Fund totaled \$4,893,908. The major expenditure items in that category were PRIDE Youth Programs at \$765,301; Drug Prevention \$325,944; Commission on Aging at \$1,433,317; Social Services at \$578,672; Child Care at \$1,323,674.

### Community Development

Community Development was \$109,293 which includes the following programs: Administration, Energy Grants, Senior Citizens Handicap and Grants and Loans. These programs are all related to housing projects for senior citizens and low income.

### Recreation and Culture

Recreation and Culture was \$325,033 which was primarily the Parks Department and their activity.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier the County of Newaygo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The County General Fund is the chief operating fund of the county. At the end of the current fiscal year the County's ending fund balance for the General Fund was \$1,024,714. The fund balance decrease was due primarily to a decrease in Court related revenues and the reduction experienced in interest revenues.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget, including operating transfers in, totaled \$10,809,966. The expenditures including operating transfers out, was \$10,900,747. This left revenues and other sources under expenditures by \$90,781.

The amended General Fund budget revenues were \$10,872,737 and the expenditures were \$11,059,305. This created expenditures over the revenues of \$186,568. The actual results reflected a revenue amount of \$10,375,149 and an expenditure of \$10,848,248. This was expenditures over revenues by \$473,099. This exceeded the expected use of fund balance. The reason revenues were approximately \$475,000 short was a combination of the reduction of revenues collected by the courts, increased expenditures in Public Safety and the continuation of low interest revenue.

Interest on investments and the state revenue sharing have continued to be very difficult to estimate. The decline in the economy for the State of Michigan has presented problems associated with the State shared revenues. In addition, low interest rates that the County received for its investments contributed to the investment shortfall.

We continued to update our County financial software; the payroll module was purchased in February 2004. The implementation of the new payroll system took several months to complete. The cost of this software and a variety of upgrades and support was over \$85,000.

### CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

The County's investment in capital assets for its governmental activities as of September 30, 2004 amounted to \$13,149,296 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- ♦ \$341,663 on building maintenance and repair projects a major portion of these expenses were spent on the seven buildings located on the County Campus.
- ♦ \$192,462 was spent on new roofs and mansards on the Administration Building, Health Department Building and Building Safety and Permits/Drain Commissioner Building
- ♦ \$82,712 was spent on HVAC roof top units and a new roof for the jail
- ♦ \$66,489 was spent on upgrading the existing computer network

### County of Newaygo's Capital Assets

(Net of Depreciation)

	2003-2004	<u>2002-2003</u>
Land and land improvements	1,274,361	1,264,882
Buildings and Construction	10,725,769	10,681,444
Office Equipment	949,109	1,053,405
Vehicles	200,057*	669,385

<sup>\*</sup>Note: The deprecation schedule for 2002-2003 was based on 8 years depreciation. The 2003-2004 schedule was based on 3 years depreciation.

Additional information on the County's capital assets can be found in note 5 on page 59 of this report.

#### Long-term debt:

At the end of the current fiscal year, the County had general obligation bonds outstanding of \$9,875,000. All the bonds are backed by the County's full faith and credit.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$163,208,470, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note 6 beginning on page 61 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the County's budget for the 2005 fiscal year.

• The deterioration of the State's economy will likely result in additional decreases in state funding. The actual magnitude of the decrease will depend on the economy's effect on state sales tax collection.

Highlights of the 2004-2005 budget are as follows:

- Increased cost in personnel due to the approval of a wage and compensation study performed by Michigan Municipal League.
- > Replacement of several of the existing servers within the county computer network.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Laurie M. Gracik, 1087 Newell Street, P.O. Box 885, White Cloud, Michigan 49349.

	Primary Government		
September 30, 2004	Governmental Activities	Business-Type Activities	Total
Assets			Total
Cash and cash equivalents Receivables	\$ 10,439,183	\$ 5,495,209	\$ 15,934,392
Accounts Intergovernmental Interest	985,092 379,666	503,755	1,488,847 379,666
Delinquent taxes Special assessments	- - 7,328,198	13,401 2,027,748	13,401 2,027,748
Prepaid items Internal balances Capital assets not of accomplated to	10,977 (511,085)	510,626	7,328,198 10,977 (459)
Capital assets, net of accumulated depreciation (Note 5)	13,149,296		13,149,296
Total Assets	31,781,327	8,550,739	40,332,066
Liabilities Checks issued against future deposits Payables	2,445,346	558,001	3,003,347
Accounts Intergovernmental Accrued liabilities	789,929 88,000	7,344	797,273 88,000
Long-term debt (Note 6)	134,317	221	134,538
Due within one year Due in more than one year Unearned revenues	1,365,127 9,285,000 325,209	1,865,000	3,230,127 9,285,000
Total Liabilities	14,432,928	2 420 566	325,209
Net Assets	14,432,920	2,430,566	16,863,494
Investment in capital assets net of related debt Restricted for	10,769,296	-	10,769,296
Special revenues Debt service	1,580,867 329	-	1,580,867
Unrestricted	4,997,907	6,120,173	329 11,118,080
Net Assets	\$ 17,348,399	\$6,120,173 \$	23,468,572

### County of Newaygo

### Statement of Net Assets

Component Units					
Central Dispatch Authority	E911 Service				
\$ 64,508	\$144,695				
- - -	45,929 29,459				
-	-				
- - -	232,274_				
64,508	452,357				
-	-				
-	20,245				
-	7,362				
- - -	- - -				
-	27,607				
-	232,274				
-	144,593				
64,508	47,883				
\$ 64,508	\$424,750				

The accompanying notes are an integral part of this statement.

	_	Program Revenues			
Year ended September 30, 2004	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government					
Government activities					
Legislative	\$ 278,898	\$ -	\$ -	\$ - \$	_
Judicial	3,136,563	691,648	779,761	Ψ - υ	1,471,409
General government	3,074,455	1,126,042	1,395,423	_	2,521,465
Public safety	6,514,415	1,911,352	327,209		2,238,561
Public works	3,649,120	3,215,515	,	_	3,215,515
Health and welfare	6,000,546	430,736	1,159,871	_	1,590,607
Community development	109,293	, <u>.</u>	-,,	-	1,570,007
Recreational and culture	325,033	250,417	_	_	250,417
Other	203,337	´ -	-	_	250,417
Debt service	-				
Interest	420,088	-	-	-	_
Total Government Activities	23,711,748	7,625,710	3,662,264	•	11,287,974
Business-Type Activities					
Other Proprietary Funds	757,639	260,441	-	_	260,441
Total Primary Government	\$ 24,469,387	\$ 7,886,151	\$3,662,264	\$ - \$	11,548,415
			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		11,5 10,415
Component Units					
Central Dispatch Authority	\$ -	\$ -	\$ -	\$ - \$	_
911 Service	1,196,484	854,720	299,222		1,153,942
Total Component Units	\$ 1,196,484	\$ 854,720	\$ 299,222	\$ - \$	1,153,942

General Revenues
Taxes
Licenses and permits
Special assessments
Fines and forfeits
Contributions from local and private sources

Rents

Interest income
Reimbursements
Land sale proceeds
Loss on disposal of assets

Other

**Transfers** 

### Total General Revenues, Special Items, and Transfers

#### **Change in Net Assets**

Net Assets – beginning of year (as restated) (Note 18)

Net Assets, end of year

### County of Newaygo

### Statement of Activities

Net (Expense) Reve	nue and Changes in	Net Assets	Component Units	
	Business-Type		Central Dispatch	E911
Governmental	Activities	Total	Authority	Service
\$ (278,898)	\$ -	\$ (278,898)	\$ -	\$ -
(1,665,154)	-	(1,665,154)	-	-
(552,990)		(552,990)	-	-
(4,275,854)	-	(4,275,854)	-	-
(433,605)	· -	(433,605)	-	-
(4,409,939)	-	(4,409,939)	<b>-</b>	-
(109,293)	-	(109,293)	-	-
(74,616)	-	(74,616)	-	-
(203,337)	-	(203,337)	-	-
(400,000)		(420,000)		
(420,088)	-	(420,088)		
(12,423,774)	-	(12,423,774)	-	_
		(		
	(497,198)	(497,198)		
(12,423,774)	(497,198)	(12,920,972)		
			_	_
			_	(42,542)
			-	(42,542)
7,173,439	_	7,173,439	_	· <u>-</u>
42,689	_	42,689	· <u>-</u>	_
1,320	_	1,320	-	_
120,802	_	120,802	_	_
1,418,783	_	1,418,783	-	47,007
202,748	331,180	533,928	-	· · · -
171,050	= -,-,	171,050	_	-
903,998	168,102	1,072,100	-	490
_	292,404	292,404	_	-
(26,402)	-	(26,402)	-	-
652,934	526,221	1,179,155	-	
354,877	(302,567)	52,310		(52,310)
11,016,238	1,015,340	12,031,578	_	(4,813)
(1,407,536)	518,142	(889,394)	-	(47,355)
18,755,935	5,602,031	24,357,966	64,508	472,105
\$ 17,348,399	\$6,120,173	\$ 23,468,572	\$64,508	\$424,750
			ccompanying	notes are an in

The accompanying notes are an integral part of this statement

	General	County	Public Works
	Fund	Jail	Construction
September 30, 2004	(101)	(213)	(465)
Assets			
Cash and cash equivalents	\$1,492,218	\$ -	\$ 1,048,820
Due from other governments	36,728	164,808	-
Taxes and other receivable	3,755	15,821	-
Special assessments	~	-	-
Prepaid expenses	10,977		-
Due from other funds	685,813	200,000	_
Total Assets	\$ 2,229,491	\$ 380,629	\$ 1,048,820
Liabilities and Fund Balances Liabilities Checks issued against future deposits Accounts payable Accrued wages payable Deferred revenues Due to other governments Due to other funds	\$ 1,075,566 78,710 50,501 - -	\$ 296,174 21,719 18,514 - -	\$ - 291,600 - - -
<b>Total Liabilities</b>	1,204,777	336,407	291,600
Fund Balances Reserved for debt service Unreserved	-	-	-
Designated for programs	657,798	-	-
Undesignated	366,916	44,222	757,220
Total Fund Balances	1,024,714	44,222	757,220
Total Liabilities and Fund Balances	\$2,229,491	\$ 380,629	\$ 1,048,820

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used for governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment leasing to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets

Deferred revenue in Special Assessments is recognized on the full accrual basis in the Government-Wide Financial Statements

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet

#### Net Assets of Governmental Activities

### County of Newaygo

## Governmental Funds Balance Sheet

Total Governmental Funds	Non-Major Governmental Funds	Special Assessments (852)	Drain (801)	
\$ 5,276,358 370,088 969,224 7,328,198 10,977 1,711,052	\$2,451,391 168,552 719,130	\$ - - 7,328,198	283,929 - 230,518 -	\$
\$ 15,665,897	\$25,239 \$4,164,312	\$ 7,328,198	514,447	\$
\$ 2,389,508 627,061 119,568 7,653,407 88,000 880,415 11,757,959 329 1,213,951 2,693,658	\$ 1,017,768 235,032 50,553 94,691 88,000 312,438 1,798,482 329 556,153 1,809,348	\$ - - 7,328,198 - - 7,328,198	230,518 - 567,977 798,495 - (284,048)	\$
3,907,938	2,365,830		(284,048)	
12,628,391 4,133,999 7,328,198 (10,650,127)	\$4,164,312	\$7,328,198	514,447	\$

The accompanying notes are an integral part of this statement.

\$ 17,348,399

September 30, 2004	General Fund (101)	County Jail (213)	Public Work Construction (465
Revenues		()	(403
Taxes	\$ 5 620 247	•	
Licenses and permits	\$ 5,630,347	\$ -	\$
Federal grants	42,689	-	
State grants and distributions	104,260	-	
Charges for services	1,687,750	25,496	
Contributions from local units	1,708,975	1,209,305	
Special assessments	127,097	-	
Fines and forfeits	-	-	
Contributions from private sources	92,839	_	
Rents	4,500	-	_
Interest income	197,748	_	
Reimbursements	57,826	~	39,160
Other	24,080	67,058	37,100
Other	<u> </u>	152,934	500,000
Total Revenues	9,678,111	1,454,793	539,160
Expenditures		, ,	555,100
Legislative			
Judicial	270,229	-	-
General government	2,336,494	_	_
Public safety	2,563,220	_	10,151
Public works	718,172	2,558,688	10,151
Health and welfare	40,400	-	-
Community and wellare	754,935	_	-
Community and economic development	105,896	_	-
Recreation and culture	-	₹	-
Capital outlay	130,913	-	2 205 264
Debt principal payments	150,515	~	3,205,364
Interest and fiscal charges	<del>-</del>	-	-
Other	203,337	-	-
otal Expenditures	7,123,596	2,558,688	2 215 515
evenues over (under) expenditures		2,330,000	3,215,515
coverage over (under) experiences	2,554,515	(1,103,895)	(2,676,355)
other Financing Sources (Uses)			( ) ) )
Transfers in			
Transfers to other funds	697,038	1,133,361	_
	(3,724,652)	_	<u> </u>
otal Other Financing Sources (Uses)	(3,027,614)	1,133,361	-
evenues and other sources over (under) expenditures			
and other uses	(155.55)	•	
	(473,099)	29,466	(2,676,355)
und Balance, at beginning of year	1,497,813	14 756	,
and Balance, at end of year		14,756	3,433,575
ind parance, at end of year	\$ 1,024,714 \$	44,222	\$ 757,220

### County of Newaygo

### **Governmental Funds**

## Statement of Revenues, Expenditures and Changes in Fund Balance

Drain (801)	Special Assessments (852)	Non-Major Governmental Funds	Total Governmental Funds
\$ <u></u>	\$ -	\$ 1,543,092	\$ 7,173,439 42,689
-	-	665,771 1,178,987	770,031 2,892,233
-	530,331	1,491,915 219,012	4,410,195 876,440
245,242	-	71,078 27,963	316,320 120,802
-	-	537,843 5,000	542,343 202,748
5,224 134	-	68,840 812,726	171,050 903,998
 250,600	530,331	6,622,227	652,934 19,075,222
250,000	220,221	<b>-,</b> - <b>-</b> -,- ::	, .
-	-	623,676	270,229 2,960,170
-	-	102,796 2,540,650	2,676,167 5,817,510
285,948	-	100,513 4,893,908	426,861 5,648,843 105,896
-	-	243,310 403,320	243,310 3,739,597
-	340,000 319,100	205,000 100,428	545,000 419,528
 -		-	203,337
 285,948	659,100	9,213,601	23,056,448
(35,348)	(128,769)	) (2,591,374)	(3,981,226)
-	- -	2,252,081 _(75,971)	4,082,480 (3,800,623)
-	-	2,176,110	281,857
(35,348)	(128,769	) (415,264)	(3,699,369)
 (248,700)	128,769	2,781,094	7,607,307
\$ (284,048)	\$	\$ 2,365,830	\$ 3,907,938

The accompanying notes are an integral part of this statement.

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

et Change in Fund Balances – Total Governmental Funds	\$(3,699,369)
nounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	534,233
Capital outlay  Depreciation expense	(564,235)
Depresention expense	(30,002)
Loss on the difference between the cost of a governmental asset and its accumulated depreciation is not recognized in governmental funds as it does not deduct from current financial resources	(26,402)
The repayment of long-term debt consumes current financial resources but does not affect net assets.	545,000
The accrual of compensated absences does not consume current financial resources but does reduce net assets, therefore, they are not reported in governmental funds	(262,752)
Recognition of special assessment revenue on debt occurs annually in the governmental funds but has already been recognized on the full accrual basis in the government-wide statements	(315,000)
Special assessments for repayment of limited obligation debt is recognized as revenue on the full accrual basis in the government-wide statements but is deferred under the modified accrual basis	3,215,515
The net revenue of certain activities of internal service funds is reported with governmental activities	(834,526)
hange in Net Assets of Governmental Activities	\$(1,407,536)

# **Proprietary Funds**

# **Statement of Net Assets**

September 30, 2004	Non-Major Proprietary Funds	Governmenta Activitie Interna Service Funds
Assets		
Current Assets Cash and cash equivalents Investments Due from other governments Taxes and other receivables Due from other funds	\$1,676,310 3,818,899 503,755 92,644	\$ 3,932,710 1,230,115 9,578 15,868
Total Current Assets	6,091,608	5,188,271
Non-current Assets  Long-term advances to other funds Property and equipment Accumulated depreciation	440,482	1,864,987
D 1	440,482	(1,344,082) 520,905
Delinquent taxes receivable Interest on delinquent taxes	2,027,748 13,401	-
Total Assets	8,573,239	5 700 176
Liabilities and Net Assets	0,013,237	5,709,176
Liabilities  Current Liabilities  Checks issued against future deposits  Accounts payable  Accrued wages payable  Due to other funds	558,001 7,344 221 11,000	55,838 162,868 14,749
Non-current Liabilities	576,566	1,331,222 1,564,677
Long-term advances from other funds Note payable	11,500 1,865,000	10,500
	1,876,500	10,500
otal Liabilities et Assets	2,453,066	1,575,177
Investment in capital assets, net of related debt Unreserved	6,120,173	464,340 3,669,659
otal Net Assets		\$ 4,133,999
The geometry	+ 0,120,175	Ψ <del>1</del> ,133,777

Proprietary Funds
Statement of Revenue, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2004	Non-Major Proprietary Funds	Governmental Activities  Internal Service Funds
Operating Revenues  Land sale proceeds Charges for services Rents Interest and penalties on delinquent taxes Interest Reimbursements Other	\$ 292,404 260,441 331,180 526,064 - 168,102 157	\$ - 1,629,239 - 52,195 2,747,540 11,921
Total Operating Revenues	1,578,348	4,440,895
Operating Expenses Supplies and operating expenses Interest expense Depreciation Land sale disbursements	404,780 20,067 332,792	4,760,398 560 587,483
Total Operating Expenses	757,639	5,348,441
Operating Income (Loss) before Transfers	820,709	(907,546)
Transfers Transfers in Transfers out	28,650 (331,217)	1,517,657 (1,444,637)
Total Transfers	(302,567)	73,020
Net Income (Loss)	518,142	(834,526)
Net Assets, at beginning of year	5,602,031	4,968,525
Net Assets, at end of year	\$ 6,120,173	\$ 4,133,999

#### **Proprietary Funds**

#### Statement of Cash Flows

Year Ended September 30, 2004	Non-Major Proprietary Funds	Governmental Activities  Internal Service Funds
Cash Flows from Operating Activities		
Operating income (loss)  Adjustments to reconcile operating income (loss) to net cash provided by operations	\$ 820,709	\$ (907,546)
Depreciation Changes in assets and liabilities Delinquent taxes receivable	104.721	587,483
Accounts receivable Due from other governmental units	194,721 - -	(761) (4,810)
Due from other funds Checks issued against future deposits Accounts payable Accrued liabilities	485,531 (1,087,020) (2,651)	55,838 (80,909)
Due to other funds	121 (6,607)	9,743 1,321,222
Net Cash Provided by Operating Activities	404,804	980,260
Cash Flows from Capital Investing Activities Purchase of investments Investment maturities	(1,505,317)	(127,345)
Long-term advances to other funds  Long-term loan to unaffiliated entity	875,114 (414,982) (500,000)	. <del>-</del> -
Net Cash Used for Investing Activities	(1,545,185)	(127,345)
Cash Flows from Non-Capital Financing Activities Transfers from other funds Transfers to other funds	28,650 (331,217)	1,517,657 (1,444,637)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(302,567)	73,020
Cash Flows from Capital and Related Financing Activities Repayment of long-term advances Principal payment on long-term debt Proceeds from long-term debt Purchases of fixed assets	(2,237,000) 3,115,000	(3,500) - - (124,067)
Net Cash Provided by (Used for) Capital and Related Financing Activities	878,000	(127,567)
Increase (Decrease) in Cash	(564,948)	798,368
Cash, at beginning of year	2,241,258	3,134,342
Cash, at end of year	\$ 1,676,310	\$ 3,932,710

# Fiduciary Funds Statement of Fiduciary Net Assets

	_	Trust Funds			
September 30, 2004	Agency Funds		Unused Sick and Vacation (730)	Reti	irement (731)
Assets  Cash and cash equivalents  Due from other funds  Undistributed tax collections	\$6,279,431 459 482,143	\$	789,107 - -	\$ 9	960,369 - -
	\$6,762,033	\$	789,107	\$ 9	060,369
Liabilities Accounts payable Trust deposits and bonds Due to other governments Undistributed receipts	\$ 386,897 338,987 5,610,288 425,861	\$	1,476 - - -	\$	2,704 - - -
	\$6,762,033	_	1,476		2,704
Net Assets Held in trust	-	\$	787,631	\$ 9	957,665

# Fiduciary Funds Statement of Changes in Fiduciary Net Assets

Year Ended September 30, 2004	Unused Sick and Vacation (730)	Retirement (731)
Additions Contributions	\$ 188,097	\$ 290,865
Deductions Vacation and sick pay Retirement	107,590	213,529
	107,590	213,529
Change in Net Assets	80,507	77,336
Net Assets – Beginning of Year	707,124	880,329
Net Assets – End of Year	\$ 787,631	\$ 957,665

#### **Notes to Basic Financial Statements**

# 1. Summary of Significant Accounting Policies

The financial statements of the County of Newaygo have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### Financial Reporting Entity

The County of Newaygo, Michigan, was organized in 1851 and covers an area of approximately 864 square miles. The county seat is located in the City of White Cloud. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 47,000 residents in many areas including general administrative services, law enforcement, administration of justice, community enrichment and development and human services. The accounting policies of the County of Newaygo conform to generally accepted accounting principles as As required by generally accepted applicable to counties. accounting principles, Governmental Accounting Standards Board (GASB) 14, these financial statements should present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. The County Road Commission and the Medical Care Facility funds are not included in the report. Separate audit reports are prepared by other auditors for these component units of the Newaygo County financial reporting entity and can be obtained by contacting the County offices. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely presented component units – The Component Units columns in the combined financial statements includes the financial data of the County's other component units, Central Dispatch Authority/E911Services. These units are reported in a separate column to emphasize they are legally separate from the County.

#### Notes to Basic Financial Statements

The Newaygo County Central Dispatch Authority is appointed by the County Board of Commissioners. The Central Dispatch Authority establishes policy and reviews operations of the E911 Service for the County Board of Commissioners.

The Newaygo County Central Dispatch Authority/E911 Service was not audited separately. Component unit statements are included as part of these financial statements to summarize all the funds of the Central Dispatch.

#### Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### Notes to Basic Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

#### Notes to Basic Financial Statements

Fund-based statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. Revenues are derived primarily from property tax.

County Jail Fund – This Fund was established to account for the operations of the County Jail Facility. Primary revenue sources are rental fees, charges for housing prisoners and an appropriation from the General Fund

Public Works Construction Fund – This Fund was established for the Chain of Lakes Project for acquisition, construction, financing and operating of sewage disposal improvements in Brooks, Everett and Garfield Townships.

Drain Fund – This Fund is used by the County to record drain construction and maintenance expenditures. Revenues for the Drain Fund are primarily derived from special assessments against the property owners benefited and the at-large assessment against the local government unit.

#### Notes to Basic Financial Statements

Special Assessments Fund – This fund is used by the County to account for revenues received from local municipalities for the payment of limited obligation long-term debt of the County. This debt is a special assessment debt with governmental commitment associated with local municipalities' water and sewer installation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of money. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing The County's internal service funds recognize as operating revenue internal transfers intended to recover the cost of providing specific benefits and equipment to employees and departments within County operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Notes to Basic Financial Statements

The County reports deferred revenue on its Governmental Funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

Cash equivalents are short-term, highly liquid investments that have the following characteristics:

- Investments that are readily convertible to known amounts of cash
- Investments that mature in such a short period of time that their values are effectively immune from changes in interest rates
- Original maturity of three months or less

Investments are stated at fair value.

#### Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

#### **Notes to Basic Financial Statements**

#### **Property Taxes**

Property tax revenue for 2004 includes property taxes levied principally on December 1, 2003, and substantially collected in early 2004. The "2003 property taxes" became a lien on December 1, 2003 and were collected by March 1, 2004, except for those taxes which were returned delinquent.

By agreement with various taxing authorities in the County, the County purchases at face value the real property taxes receivable which became delinquent on March 1, 2004. These taxes, which are recorded in an Enterprise Fund, are pledged for repayment of loans, the proceeds of which were used to purchase such amounts due to the General Fund and other local units of government. Subsequent collections by the County plus interest, fees and investment earnings, are used to repay the loan.

#### **Inventories**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the governmental funds consist of expendable supplies which are recorded as an expenditure at the time individual inventory items are purchased.

#### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2004 are recorded as prepaid items. These prepaid items are primarily insurance premiums and fiscal year 2005 memberships invoiced prior to October 1, 2004. The County follows the consumption method of accounting in reporting these items and, therefore, no offset by a fund balance reserve is required.

#### Notes to Basic Financial Statements

#### Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-100 years
Vehicles	4-8 years
Furniture and other equipment	10-30 years

#### **Compensated Absences**

Vacation and sick pay is fully accrued in the government-wide and proprietary financial statements.

Employees earn vacation leave at the rate of five to thirty days depending on their years of service. The allowable accumulation of vacation time varies by contract.

Command, Deputies and Corrections full-time employees earn sick leave credit at the rate of one (1) workday with pay for each completed month of service. The maximum accumulation varies by contract.

For all other full-time County employees, sick time accumulation was eliminated effective January 1, 1997 and was replaced with Short-Term and Long-Term Disability programs. Employees are now provided with seven (7) personal (PTO) days per calendar year to be earned on a monthly pro rata basis. In addition, three (3) days carryover will be allowed, but at no time will the PTO days be greater than ten (10).

#### Notes to Basic Financial Statements

Upon separation from employment, full-time command and deputies are paid for any unused vacation leave and for those with at least four years of credited service, 50% of unused sick leave with a maximum of 60 days (100% upon death or retirement with a maximum of 120 days). Corrections Officers with at least ten years of service are paid for 50% of unused accrued sick leave upon either death or retirement to a maximum of 60 days. All other full-time employees receive payoff of PTO time accumulated. They may receive amounts held in reserve for prior sick time accumulation upon retirement.

#### **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements. governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### **Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Notes to Basic Financial Statements

#### 2. Legal Compliance – Budgets

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1. Prior to September 1, the County Fiscal Officer submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted in the County Administrative Building to obtain taxpayer comments.
- 3. Prior to October 1, the budget is legally enacted through passage of a general appropriation act.
- 4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue and Debt Service Funds.
- 5. Budgets for the General Fund, Special Revenue and Debt Service Funds are adopted on a basis consistent with accounting principles general accepted in the United States of America and at the functional level.

Budgeted amounts are as originally adopted or as amended by the Board of Commissioners at various dates. Budget appropriations lapse at year end.

# 3. Deposits and Investments

The County's deposits and investments at September 30, 2004 are included on the balance sheet under the following classifications:

Cash and cash equivalents Checks issued against future deposits Investments	\$18,887,437 (3,003,347) 5,049,014
Total	\$20,933,104

#### Notes to Basic Financial Statements

#### **Deposits**

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$21,144,621. Of that amount, \$2,575,711 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution it deposits County funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Investments**

The County of Newaygo is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Investments are stated at fair value. All investments are registered in the name of the County and held by the County's agent. As such, in accordance with GASB 40, the custodial risk of these investments need not be disclosed.

#### **Component Units**

The cash and cash equivalents of the County's Component Units are \$209,203 at September 30, 2004. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$209,203, of which \$100,000 was covered by federal depository insurance.

#### Notes to Basic Financial Statements

- 4. Reconciliation of Government-Wide and Fund Financial Statements
- a) <u>Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assts.</u>

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet." The details of this \$10,650,127 difference are as follows:

Special Assessment Bonds Building Authority Bonds Compensated absences	\$ 7,845,000 2,030,000 775,127
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets - governmental activities	\$10,650,127

b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Government funds report capital outlays as expenditures." However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

# Notes to Basic Financial Statements

	Internal Sepreciation	utlay ervice asset purchervice depreciation from Expense as promental Activities	on esented for		\$ 658,300 (124,067) 587,483 (1,151,718)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities					\$ (30,002)
5. Capital Assets	Capital asso	et activity of the (	County's gov	ernmental ac	ctivities was as
Primary Government					
		Balance			Balance
		October 1, 2003	Increases	Decreases	September 30, 2004
Governmental Activities Capital assets, not deprec Land	iable:	\$ 1,052,586	\$ -	\$ -	\$ 1,052,586
Capital assets being depre	eciated:				
Land improvements		562,051	32,459	*	594,510
Buildings and constru	iction	14,602,080	370,500	-	14,972,580
Office equipment Vehicles		1,988,725	111,277	-	2,100,002
		1,060,583	144,064	(124,533)	1,080,114
Total assets being depreciated		18,213,439	658,300	(124,533)	18,747,206
Less accumulated deprecia	ation for:				
Land improvements		349,755	22,980	_	372,735
Buildings and constru	ction	3,920,636	326,175	-	4,246,811
Office equipment Vehicles		935,320	215,573	-	1,150,893
		391,198	586,990	(98,131)	880,057
otal accumulated depreciation		5,596,909	1,151,718	(98,131)	6,650,496
Cotal capital assets being depre	ciated, net	12,616,530	(493,418)	(26,402)	12,096,710

# Notes to Basic Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

C	
Governmental	2011VIII 100
O o o i i i i i i i i i i i i i i i i i	activities.

Judicial	\$ 81,425	5
General government	312,43	
Public safety	510,268	
Public works	3,200	
Health and welfare	170,477	
Culture and recreation	73,917	

Total Depreciation Expense -	
Governmental Activities	\$1,151,718

# Notes to Basic Financial Statements

6. Long-Term Debt The following is a summary of the long-term debt outstanding of the County as of September 30, 2004:

Governmental Activities	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004	Due within one year
Bonds Payable					one year
Hesperia Wastewater Project Revenue Bonds dated December 1, 1978, maturing serially to 2018 in annual amounts of \$25,000 with interest at 5.0%.  White Cloud/Sherman Wastewater Project Revenue Bonds dated February 10, 1981, maturing serially to 2020 in annual amounts	\$ 375,000	\$ - 5	\$ (25,000)	\$ 350,000	\$ 25,000
ranging from \$50,000 to \$60,000 with interest at 5.0%.	895,000	-	(50,000)	845,000	50,000
Building Authority Bond, Series 1995, maturing serially to 2011 in annual amounts ranging from \$175,000 to \$245,000 with interest at 4.4%.	1,615,000	_	(165,000)	ŕ	·
Building Authority Bond, Series 2002 maturing serially to 2014 in annual amounts ranging from \$40,000 to \$75,000 with interest at 4.6% to 4.65%.	620,000		, , ,	1,450,000	175,000
Chain of Lakes System Bonds, dated January 16, 2003, maturing serially to 2021 in annual amounts ranging from \$300,000 to \$400,000 with interest at 2.5% to 4.55%.	·	-	(40,000)	580,000	40,000
	6,915,000	-	(265,000)	6,650,000	300,000
Total Bonds Payable	10,420,000	-	(545,000)	9,875,000	590,000
Accumulated compensated absences	512,375	262,752	-	775,127	775,127
Total Governmental Activities  Long-Term Debt	\$ 10,932,375 \$	262,752 \$	(545,000) \$		1,365,127

# Notes to Basic Financial Statements

Business Type Activities		Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004	Due within one year
Delinquent Tax Notes, Series 2004 maturing March 1, 2005, payable with interest based on the LIBOR rate.	\$	-	\$3,115,000	\$ (1,250,000)	\$ 1,865,000	\$ 1,865,000
Delinquent Tax Notes, Series 2003 maturing March 1, 2004, payable with interest based on the LIBOR rate.		987,000		(987,000)		
Total Business Type Activities Long-Term Debt	\$	987,000	\$3,115,000	\$ (2,237,000)	\$ 1,865,000	\$ 1,865,000
Total all Long-term Liabilities	\$ 1	1,919,375	\$3,377,752	\$ (2,782,000)		\$3,230,127

The total requirement for payment of principal and interest amount to \$11,740,000 and \$3,634,953, respectively at September 30, 2004 as follows:

	Governmenta	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest	
2005	\$ 590,000	\$ 401,143	\$1,865,000	£10.700	
2006	605,000	380,352	\$1,805,000	\$10,700	
2007	620,000	358,893	-	-	
2008	655,000	335,263	_	-	
2009	695,000	310,640	-	-	
2010-2014	3,075,000	1,141,863	-	-	
2015-2019	2,380,000	585,750	-	-	
2020-2022	1,255,000	110,349		-	
	\$9,875,000	\$3,624,253	\$1,865,000	\$10,700	

# Notes to Basic Financial Statements

# 7. Interfund Balances The following are the interfund receivables at September 30, 2004: and Transfers

Fund	Interfund Receivable		Interfund Payable
General Fund	\$ 685,813	Reserve for Operational Contingencies FIA	\$ 385,108
Sheriff Road Patrol County Jail Law Enforcement Crime Victims Rights Animal Control Transport Drain Revolving 1998 & Prior Delinquent Tax	27,614 200,000 2,274 4,500 9,000 31,000 90,851 34,000	Drain Revolving Motorpool Reserve for Operational Contingencies Sheriff Road Patrol Reserve for Operational Contingencies Reserve for Operational Contingencies Reserve for Operational contingencies Drain Building Renovation	200,705 100,000 27,614 200,000 2,274 4,500 9,000 31,000 90,851
2000 Delinquent Tax Building Safety & Permits Child Care Central Payroll Processing	58,644 10,000 650,000	2003 Delinquent Tax County Parks Drain Building Demolition Revolving Reserve for Operational Contingencies Sheriff Road Patrol	14,000 11,000 9,000 58,644 10,000 650,000 459
	\$ 1,804,155		\$1,804,155

# 8. Advances The following are the advances at September 30, 2004:

Fund	Advance to Other Fund	Fund	Advance from Other Fund
1998 and Prior Delinquent Tax	\$440,482	Drain Drain Maintenance &	\$418,482
		Construction 2002 Delinquent Tax	10,500 11,500
	\$440,482		\$440,482

# Notes to Basic Financial Statements

Transfers during the fiscal year were as follows:

Fund	Transfer in	Transfer out
General Fund	\$ 697.038	
County Jail	. , , , , , , , , , , , , , , , , , , ,	\$3,724,652
911 Service	1,133,361	- - 52 210
Sheriff Road Patrol	200.240	52,310
County Parks	299,349	12,857
Elections	44,367	51,814
Friend of the Court	•	-
Crime Victims Rights	163,200	-
Public Works	4,500	-
Building Safety & Permits	14,142	11 000
Animal Control	- 66 275	11,000
Gypsy Moth Suppression	66,275	-
Emergency Services	12,808 50,000	-
Transport	•	-
Law Enforcement	31,000	-
County Law Library	2,274	-
Commission on Aging	11,314	-
Community Development	34,606	<b>-</b>
Social Services	67,732	-
Child Care	37,588	-
Soldiers' Relief	1,131,473	-
Veterans' Trust	30,868	-
Sandy Beach Construction	14 175	300
FIA	14,175	-
Building Authority	236,410	-
1998 and Prior Delinquent Tax	-	243,667
1999 Delinquent Tax	28,650	69,304
	-	274
2000 Delinquent Tax	-	2,423
2001 Delinquent Tax	-	8,891

(Statement continued on next page.)

#### Notes to Basic Financial Statements

2002 Delinquent Tax	\$		¢	( (50
Building Grounds Maintenance	•	- ,770,	\$	6,658
Campus Security		,583		-
Central Stores		,000		-
Information Services Projects		,489		-
Information Services	374,			46 041
Building Demolition Revolving	•	000		46,941
PC Coordinator Training	•	251		-
Food Service	,			95,000
Building Renovation		_		8,088
Reserve for Operational Contingencies	731,	974	1.2	94,608
	<u> </u>			,,500
	\$5,628,	787	\$5,6	28,787

#### 9. Risk Management

The County purchases insurance and participates in public entity risk pools for the various risks associated with County operations. Significant risk management activities of the County are accounted for and disclosed below as required by GASB 10.

The County is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County obtains its liability insurance coverage as a member of the Municipal Risk Management Authority (MMRMA), a public entity risk pool providing liability and property coverage to its participating members. The County pays an annual premium to MMRMA for liability insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$75,000 deductible is maintained to place the responsibility for small charges with the County. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **Notes to Basic Financial Statements**

The County manages its workers' compensation risk by participating in the Michigan Association of Counties Workers Compensation Fund (MACWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The County pays an annual premium to MACWCF for its workers compensation coverage. The MACWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

# 10. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

# 11. Defined Benefit Pension Plan

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public employee retirement system. Substantially all employees are covered by a retirement system. Those employees listed below hired on or after the date listed beside the employee group are covered by a defined contribution plan.

August 13, 1997 January 1, 1999	Unclassified Employees Employees Covered Under the
January 1, 2000 September 1, 2002 July 26, 2002	Teamster Union Contract Newaygo County Deputies Newaygo County Correction Officers Newaygo County Dispatchers

#### Notes to Basic Financial Statements

The Michigan Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for Newaygo County. That report may be obtained by writing to Newaygo County at P.O. Box 885, White Cloud, Michigan 49349.

#### **Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the County Board.

#### Annual Pension Cost

For the year ended September 30, 2004 the County's annual pension cost of \$521,040 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, plus additional projected salary increases ranging from 0.0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

#### Notes to Basic Financial Statements

# 12. Defined Contribution Plan

The County provides pension benefits to all of the below full-time employees hired after the date listed beside the employee group or those hired before who elected out of MERS through a defined contribution plan.

August 13, 1997	Unclassified Employees
January 1, 1999	Employees Covered Under the
•	Teamster Union Contract
January 1, 2000	Newaygo County Deputies
September 1, 2002	Newaygo County Correction Officers
July 26, 2002	Newaygo County Dispatchers

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Board of Commissioners, the County contributes 5 percent of employees' gross earnings and match their contribution of 3%. In accordance with these requirements, the County contributed \$265,824 during the current year, and employees contributed \$100,306.

# 13. Component Unit Financial Information

Condensed financial statements for each of the discretely presented component units are included in the government wide financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

#### Notes to Basic Financial Statements

# 14. Excess of Expenditures Over Revenues in Budgetary Funds

During the year ended September 30, 2004, the County incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
General Fund		
Jury Board	\$ 7,242	\$ 13,010
Prosecuting Attorney	694,187	696,433
Equalization	224,987	258,820
County Treasurer	254,473	263,172
Sheriff Department	558,201	604,780
Junk Law Enforcement	5,506	5,676
Substance Abuse International	89,069	89,228
Contingencies	9	3,796

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities.

# 15. Long-Term Lease

The County is a party to a long-term lease agreement for rental of a building to the Intermediate School District. The lease stipulates that fixed annual rentals will be paid to the County by the Intermediate School District and such rentals are pledged exclusively for payment of principal and interest on the Building Authority bonds. In addition, the Intermediate School District pledges its unlimited tax, full faith, and credit as security under the lease. Fixed annual rentals will cease after all bonds have been retired and advance rentals repaid. The lease agreement provides, further, that after all bonds are retired and advance rentals repaid, title to the land and buildings will vest to the Intermediate School District.

#### **Notes to Basic Financial Statements**

The long-term lease has been accounted for as a capital lease. The net leasehold receivable represents the present value of future minimum lease payments due from the Intermediate School District. Revenue represented by the non-current portion of the receivable is deferred until it becomes a current receivable. Future minimum lease payments scheduled to be received by the County from the Intermediate School District including unearned finance income of \$162,460 are as follows:

2005	\$ 66,680
2006	69,840
2007	72,770
2008	70,470
2009	73,170
2010	76,640
2011	77,880
2012	79,890
2013	76,670
2014	 78,450

\$742,460

#### 16. Fund Deficit

The County had the following Fund balance deficit at September 30, 2004:

801	Drain	\$284,048
263	Pride Youth Programs	175,500
263-1	Pride Youth Programs International	2,905
264	Drug Prevention	55,455

## Notes to Basic Financial Statements

# 17. Reconciliation of Capital Outlay

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital purchases as reported in the	
governmental funds Capital projects not County owned	\$ 3,739,597 (3,205,364)

#### Net Assets Capitalized

\$ 534,233

18. Restated Net
Assets –
Beginning of
Year

In 2004, the County realized that various capital assets and deferred revenues were not recorded in the prior year government-wide financial statements. As such, beginning net assets for the government-wide financial statements was increased by \$151,215 to recognize the capital assets and \$4,427,683 for deferred revenues for special assessments required to be recognized. This changes the beginning balance from \$14,177,037 to \$18,755,935.

# Required Supplemental Material

	General Fund						
September 30, 2004	Original Budget	Final Budget	Actual	Difference +/-			
Revenues							
Taxes	\$ 5.621,000	\$ 5,628,500	\$ 5,630,347	\$ 1,847			
Licenses and permits	45,432	45,432	42,689	(2,743)			
Federal grants	225,294	225,294	104,260	(121,034)			
State grants and distributions	1,648,141	1,648,141	1,687,750	39,609			
Charges for services	1,807,130	1,824,730	1,708,975	(115,755)			
Contributions from local units	148,631	148,631	127,097	(21,534)			
Fines and forfeitures	121,200	121,200	92,839	(28,361)			
Contributions from private sources	4,000	4,500	4,500	-			
Rents	181,060	187,031	197,748	10,717			
Interest income	286,443	286,443	57,826	(228,617)			
Reimbursements Other	7,940	7,940 -	24,080	16,140			
Total Revenues	10,096,271	10,127,842	9,678,111	(449,731)			
Expenditures							
Legislative	275,376	275,376	270,229	5 147			
Judicial	2,368,341	2,376,341	2,336,494	5,147 39,847			
General government	2,551,875	2,552,672	2,563,220	(10,548)			
Public safety	654,473	685,759	718,172	(32,413)			
Public works	23,601	40,400	40,400	(32,413)			
Health and welfare	893,502	927,439	754,935	172,504			
Community and economic development	134,342	134,342	105,896	28,446			
Other	226,593	257,493	203,337	54,156			
Capital outlay	93,298	93,298	130,913	(37,615)			
Total Expenditures	7,221,401	7,343,120	7,123,596	219,524			
Revenues Over (Under) Expenditures	2,874,870	2,784,722	2,554,515	(230,207)			
Other Financing Sources (Uses)							
Operating transfers in `	713,695	744,895	697,038	(47,857)			
Operating transfers out	(3,679,346)	(3,716,185)	(3,724,652)	(8,467)			
Total Other Financing Sources (Uses)	(2,965,651)	(2,971,290)	(3,027,614)	(56,324)			
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(90,781)	(186,568)	(473,099)	(286,531)			
Fund Balance, at beginning of year	1,497,813	1,497,813	1,497,813	-			
Fund Balance, at end of year	\$ 1,407,032	\$ 1,311,245	\$ 1,024,714 \$	(286,531)			

#### Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Governmental Funds

		County	/ Jail		
	Original Budget	Final Budget	Actual	Difference +/-	
	\$ -	\$ -	\$ -	\$ -	
	-	-	-		
	1,347,528	1,147,528	25,496 1,209,305	25,496 61,777	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	65,511 150,000	65,511 150,000	67,058 152,934	1,547 2,934	
	1,563,039	1,363,039	1,454,793	91,754	
	2,445,299 -	2,445,299	2,558,688	(113,389)	
	-	-	-	-	
	-	-	-	-	
	2,445,299	2,445,299	2,558,688	(113,389)	
	(882,260)	(1,082,260)	(1,103,895)	(21,635)	
<u> </u>	924,894 (42,634)	1,124,894 (42,634)	1,133,361	8,467 42,634	
	882,260	1,082,260	1,133,361	51,101	
				·	
	-	-	29,466	29,466	
	14,756	14,756	14,756	_	
\$	14,756 \$	14,756 \$	44,222	\$ 29,466	

## Required Supplementary Information for Pension Plans – GASB 27

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Over Funded (Unfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31: 2001 2002 2003	\$ 13,638,948 14,102,298 15,165,680	\$ 13,578,401 15,057,351 17,051,369	\$ (60,547) 955,053 1,885,689	100.45% 93.66% 88.94%	\$3,643,766 3,739,059 3,770,113	(1.66)% 25.54 % 50.02 %

September 30, 2004	Newaygo County Mounted Division (205)	Animal Control (205-2)		Emergen Servic (205-	es Rights	Sheriff Road Patrol (207)
Assets Cash and cash equivalents	\$6,164	\$ 1.	268	\$ 57,49	97 \$ -	\$24,489
Due from other governments	-	Ψ 1,	200	6,70		Ф2 <del>4,4</del> 69 -
Taxes and other receivable	-		-	, ,		-
Due from other funds	_	9,	000		- 4,500	27,614
Total Assets	\$6,164	\$ 10,	268	\$ 64,20	06 \$ 4,500	\$52,103
Liabilities and Fund Balances Liabilities						
Checks issued against future deposits	\$ -	\$	-	\$	- \$ 3,884	\$ -
Accounts payable Accrued wages payable	22		071	•		5,809
Deferred revenues	-	1,.	231	80	5 485	14,733
Due to other governments	-		-			
Due to other funds	_		-			2,733
Total Liabilities	22	4,3	302	87	7 4,369	23,275
Fund balances Reserved for debt service Unreserved	-		-			-
Designated for programs						20.020
Undesignated  Undesignated	6,142	5,9	- 966	63,32	 9 131	28,828
Total Fund Balances	6,142	5,9	66	63,32	9 131	28,828
Total Liabilities and Fund Balances	\$6,164	\$ 10,2	68	\$ 64,200	5 \$ 4,500	\$52,103

# Combining Balance Sheet – Non-Major Governmental Funds

			Special F	Revenue				
Law Enforcement (207-2)	Parks	Area Park Advisory Council (208-1)	County Jail Trustees Management (213-1)	Transport Fund (213-2)		Friend of the Court (215)	Public Works	Recyclin Projec (230
\$ 7,820 20,622 - 2,274	-	\$ 6,036 - -	\$ - 14,367 - - -	\$ - 17,124 - 31,000	\$67,195 - 267	\$ 1,724 60,702 666	\$ - 5,562	\$26,848
\$30,716	\$66,415	\$ 6,036	\$14,367	\$ 48,124	\$67,462	\$63,092	\$5,562	\$26,848
\$ - 253 2,141 - -	\$ - 13,200 622 - 9,000	\$ - 315 - - -	\$ 534 151 1,242	\$ 46,345 107 1,560 -	\$ - 212 325	\$40,156 3,010 6,103	\$4,302 - 240 -	\$ - 1,390 - -
2,394	22,822	315	1,927	48,012	537	49,269	4,542	1,390
28,322	6,700 36,893	5,721	- 12,440	- - 112	66,925	13,823	- 1,020	25,458
28,322	43,593	5,721	12,440	112	66,925	13,823	1,020	25,458
\$30,716	\$66,415	\$ 6,036	\$14,367	\$ 48,124	\$67,462	\$63,092	\$5,562	\$26,848

September 30, 2004	Gypsy Moth Suppression (239)	Newaygo County Economic Development (244)	Community Development (244-1, 244-2 & 244-3)	Public Improvement (245)	Building Safety & Permits (249)	
Assets						
Cash and cash equivalents Due from other governments Taxes and other receivable	\$ 33,907 - -	\$11,000	\$170,641 13,235 620,795	\$ 7,633 - -	\$218,226	
Due from other funds					10,000	
Total Assets	\$ 33,907	\$11,000	\$804,671	\$ 7,633	\$228,226	
Liabilities and Fund Balances Liabilities Checks issued against future						
deposits	\$ -	\$ -	\$103,807	\$ -	\$ -	
Accounts payable	- 66	-	9,750	-	1,011	
Accrued wages payable Deferred revenues	00	<u>-</u>	1,015	-	4,449	
Due to other governments	-	- -	_	_	<u>-</u>	
Due to other funds		_	<u> </u>	-	-	
Total Liabilities	66	-	114,572	-	5,460	
Fund balances Reserved for debt service Unreserved	-	-	-	-	-	
Designated for programs	_	_	620,795	_	_	
Undesignated	33,841	11,000	69,304	7,633	222,766	
Total Fund Balances	33,841	11,000	690,099	7,633	222,766	
Total Liabilities and Fund Balances	\$ 33,907	\$11,000	\$804,671	\$ 7,633	\$228,226	

# Combining Balance Sheet – Non-Major Governmental Funds

 			Special Reven	ue		
Iomestead Exemption Audit (255)	Register Of Deeds Automation (256)	Electronic Systems (256-5)	Pride Youth Programs (263)	Pride Youth Programs International (263-1)	Drug Prevention (264)	Drug Law Enforcement (265)
\$ 35,463	\$22,688 - -	\$109,278 - -	\$ 27,441 - -	\$ - - -	\$ - - -	\$ 23,082
\$ 35,463	\$22,688	\$109,278	\$ 27,441	\$ -	\$ -	\$ 23,082
\$ 35,354	\$ - - - -	\$ - - - - -	\$ 202,941 - - - - -	\$ 2,905	\$ 55,455 - - - -	\$ - 450 821 -
35,354	-	-	202,941	2,905	55,455	1,271
109	22,688	- 109,278	(175,500)	(2,905)	(55,455)	21,811
 109	22,688	109,278	(175,500)	(2,905)	(55,455)	21,811
\$ 35,463	\$22,688	\$109,278	\$ 27,441	\$ -	\$ -	\$ 23,082

		Spe	cial Revenue	e
September 30, 2004	County Law Library (269)		ervices Care	
Assets  Cash and cash equivalents  Due from other governments  Taxes and other receivable  Due from other funds	\$ 38,911 - - -	\$131,403 34,649 -	\$ - - 650,000	\$171,000
Total Assets	\$ 38,911	\$ 166,052		\$171,003
Liabilities and Fund Balances Liabilities Checks issued against future deposits Accounts payable Accrued wages payable Deferred revenues Due to other governments Due to other funds	\$ - 475 - - - -	\$ - 7,699 - - 88,000	\$554,793 83,972 2,611 -	\$ 3,820 419 -
Fotal Liabilities	475	95,699	641,376	4,239
Fund balances Reserved for debt service Unreserved Designated for programs	-	- 6,748	~	- -
Undesignated  Total Fund Balances	38,436 38,436	63,605 70,353	8,624 8,624	166,764
Total Liabilities and Fund Balances	\$ 38,911	\$166,052		166,764 \$171,003

# Combining Balance Sheet - Non-Major Governmental Funds

			<u>Cap</u>	oital Projects		
Veterans' Trust (294)	Commission on Aging (295, 295-1 & 295-2)	Jail Building Construction (466)	Sandy Beach Construction (471)	FIA Construction (498)		Brook Lak Boar (845
\$ 772	\$391,850 1,144	\$7,417 -	\$13,234 -	\$445,655	\$ 9,447	\$ 9,35
		<u>-</u>	-	<u>-</u>	90,851	8,615
\$ 772	\$392,994	\$7,417	\$13,234	\$445,655	\$100,298	\$17,966
\$ - - - - -	\$ 2,646 45,549 11,685 2,851	\$ - - - - -	\$ - 13,234 - - -	\$ - - - -	\$ - 298 - - - 100,000	\$ - - 8,615
-	62,731	· -	13,234	-	100,000	8,615
-	-	-		-	-	-
772	51,112 279,151	7,417	-	445,655	-	9,351
772	330,263	7,417		445,655	_	9,351
\$ 772	\$392,994	\$7,417	\$13,234	\$445,655	\$100,298	\$17,966

			Capital Pro	ojects
September 30, 2004	Hess Lake Improvement (846)	Diamond Lake Board (847)	Ryerson Lake Board (849)	Engel Wright Lake- Board (850)
Assets				
Cash and cash equivalents Due from other governments	\$38,439	\$ 20,766	\$38,464	\$ 8,591
Taxes and other receivable  Due from other funds	23,672	15,172 -	37,500	6,881
Total Assets	\$62,111	\$ 35,938	\$75,964	\$15,472
Liabilities and Fund Balances Liabilities Checks issued against future deposits	\$ -	\$ -	\$ -	\$ -
Accounts payable Accrued wages payable Deferred revenues Due to other governments Due to other funds	23,672	15,172	5,808 - 37,500 -	6,881
Total Liabilities	23,672	15,172	43,308	6,881
Fund balances Reserved for debt service Unreserved Designated for programs Undesignated	- - 38,439	- 20,766	- 32,656	- - 8,591
Total Fund Balances	38,439	20,766	32,656	8,591
Total Liabilities and Fund Balances	\$62,111	\$ 35,938	\$75,964	\$15,472

## Combining Balance Sheet - Non-Major Governmental Funds

	Permanent Funds	Service	Debt
	-		
Total All Funds	Cemetery Trust (151)	FIA (397)	ISD (395)
\$ 2,451,391 168,552 719,130 825,239	\$ 239 - - -	\$200,896	\$ 138 - - -
\$4,164,312	\$ 239	\$200,896	\$ 138
\$1,017,768	\$ -	\$ -	\$ - -
235,032 50,553	<del>-</del> -	-	-
94,691	_	-	-
88,000	-	200,705	-
312,438 1,798,482	-	200,705	-
329	-	191	138
556,153 1,809,348	239		-
2,365,830	239	191	138
\$4,164,312	\$ 239	\$200,896	\$ 138

September 30, 2004	Newaygo County Mounted Division (205)	Animal Control (205-2)	Emergency Services (205-3)	Crime Victims Rights (205-5)	Sheriff Road Patrol (207)
Revenues					
Taxes	\$ -	\$ -	•	•	
Federal grants	<b>J</b> -	<b>D</b> -	\$ -	\$ -	\$ 964,899
State grants and distributions	-	-	12,561	25 002	-
Charges for services	-	65,214	113,846	35,803	
Contributions from local units	-	05,214	-	-	14,305
Special assessments	-	-	-		11,200
Fines and forfeits	-	-	-	-	-
Contributions from private sources	4,308	6 247	-	-	-
Rents	4,308	6,247	-	-	-
Interest income	-	-	-		
Reimbursements	-	-	-	-	1,485
		-	-	-	2,115
Total Revenues	4,308	71,461	126,407	35,803	994,004
Expenditures					
Judicial					
General government	-	-	-	-	-
Public safety	2.014	105.046	-	-	-
Public works	3,014	135,946	152,338	40,183	1,307,266
Health and welfare	-	-	-	-	-
Recreation	-	-	_	-	-
	-	-,	-	-	-
Capital outlay	-	-	-	-	45,364
Debt principal payments	-	-	•	· -	-
Interest and fiscal charges	<del>-</del>	•		-	
Total Expenditures	3,014	135,946	152,338	40,183	1,352,630
Revenues over (under) expenditures	1,294	(64,485)	(25,931)	(4,380)	(358,626)
Other Financing Sources (Uses) Transfers in Transfers out	- -	66,275	50,000	4,500	299,349 (12,857)
Total Other Financing Sources (Uses)	-	66,275	50,000	4,500	286,492
				1,500	200,472
Revenues and other sources over					
(under) expenditures and other uses	1,294	1,790	24,069	120	(72.124)
·	-,	1,	24,005	120	(72,134)
Fund Balance, at beginning of year	4,848	4,176	39,260	11	100,962
Fund Balance, at end of year	\$ 6,142	\$ 5,966	\$ 63,329	\$ 131	\$ 28,828

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

			Spe	ecial Revenue					
L Enforceme (207	aw ent -2)	County Parks (208)	Council	County Jail Trustees Management (213-1)	Transpor Fund (213-2	d Election		Public Works (228	S Project
\$	_	\$ -	\$ -	\$ -	•				
93,62	-	-	-	<b>Д</b> -	\$ - -	- \$ -	- \$ - - 429,050	\$ -	\$ -
90,33	-	250,417	3,835	89,085	107,227	20,71		-	- -
	-	-	-	-	-		- 	-	-
2	25	18,351 5,000	- -	- -	- -	· ·	- - -	3,574	30,000
	_	796	-	-	_	1.252			-
183,98	7	274,564	3,835	89,085	107,227	1,252 21,965		9,738	
					,,	21,703	403,769	13,312	30,000
183,15	- - 0	-	-	-	-	- 61,421	616,274	-	4,542
,10	-	_	-	107,796 -	138,291	-	-	-	-
	- - -	238,283 71,305	5,027	-	- -	- -	- - -	29,357 - -	-
	-	-	-	- -	- -	-	-	-	-
183,150	<u> </u>	309,588	- -	-		<u>-</u>		-	-
			5,027	107,796	138,291	61,421	616,274	29,357	4,542
837	7	(35,024)	(1,192)	(18,711)	(31,064)	(39,456)	(150,285)	(16,045)	25,458
2,274		- (51,814)	-	_	31,000	44,367	163,200	14,142	-
2,274		(51,814)	-	-	31,000	44,367	163,200	14.140	-
					-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	. 1,507	103,200	14,142	
3,111		(86,838)	(1,192)	(18,711)	(64)	4,911	12,915	(1,903)	25,458
25,211	1	30,431	6,913	31,151	176	62,014	908	2,923	_
\$ 28,322	\$	43,593	\$ 5,721	\$ 12,440 \$	112	\$ 66,925	\$ 13,823 \$		325,458

September 30, 2004	Gypsy Moth Suppression (239)		Community Development (244-1, 244-2 & 244-3)	Public Improvement (245)	Building Safety & Permits (249)
Revenues					
Taxes	\$ -	\$ -	•		
Federal grants	Ψ - -	Φ -	\$ -	\$ -	\$ -
State grants and distributions		-	137,300	-	-
Charges for services	-	-	30,336	-	-
Contributions from local units	-	11 000	343	-	417,900
Special assessments	-	11,000	-	-	-
Fines and forfeits	•	-	-	-	•
Contributions from private sources	-	-	<del>-</del>	-	•
Rents	-	-	10,000	-	-
Interest income	=	-	-	-	_
Reimbursements	-	-	_2,808	66	-
			77,014		_
Total Revenues	-	11,000	257,801	66	417,900
Fym on diana			•		117,500
Expenditures Judicial					
	-	-	-	_	_
General government	-	-	-	-	_
Public safety	-	-		_	406,829
Public works	-	-	_	_	400,027
Health and welfare	6,688	-	284,277	_	_
Recreation	-	_	,	_	-
Capital outlay	-	_		_	20,000
Debt principal payments	-	_	_	<del>-</del>	20,000
Interest and fiscal charges	_	-	-	_	-
Total Expenditures	6,688	_	284,277	-	426,829
Devenues over (under)	(5.55.)				420,829
Revenues over (under) expenditures	(6,688)	11,000	(26,476)	66	(8,929)
Other Financing Sources (Uses)					
Transfers in	12,808		(7.700		
Transfers out	12,000	-	67,732	-	-
Total Other Financing Sources (Uses)	10.000		-	-	(11,000)
Total Olici Financing Sources (Uses)	12,808		67,732	<u>-</u>	(11,000)
Revenues and other sources over					
(under) expanditures on 1 -41					
(under) expenditures and other uses	6,120	11,000	41,256	66	(19,929)
Fund Ralance at havinging	0.7.55				(,-2-)
Fund Balance, at beginning of year	27,721	-	648,843	7,567	242,695
Fund Balance, at end of year	C22 041	f 11 000			·
	\$33,841	\$ 11,000	\$ 690,099	\$7,633	\$222,766

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

		Sp	ecia	l Revenu	е					
Homestead Exemption Audit (255)	Register of Deeds Automation (256)	Electro Syste	ms	Prog	Pride Youth grams (263)	Pride You Progran Internation (263-	ns al	Drug Prevention (264)	Enfa	rug Lavorcemen (265
\$ -	\$ -	Φ.								
Ψ - -	Φ -	\$	-	\$	-	\$	-	\$ -		\$
-	14,432	47.7	-		-		-	196,151		
~	14,432	47,7	//		-		-	9,090		
-	-		-		-		-	34,611		52,999
-	-		-		-		-	-		23,463
-	_		-		-		-	7,505		•
109	312		-		994	127		-		29
109	 14,744	47.77	-	588,		105,000		2,350		
,	17,/44	47,77	/ /	589,	801	105,127	7	249,707		76,491
-	17.810		-		_	_		_		
-	17,812	19,02	21		-	-		-		-
-	-		-		-	-		-		65,837
-	-		-	765,	301	120,474		325,944		-
-	-		-		-	-		-		-
-	-		-		-	-		-		-
	 17,812	10.00	-		-					-
	 17,812	19,02	<u> </u>	765,3	01	120,474		325,944	-	55,837
109	(3,068)	28,756	5	(175,5	00)	(15,347)	)	(76,237)	1	0,654
-	-		-		-	_		-		_
	_					<u> </u>	<u> </u>	-		
109	(2.050)									
109	(3,068)	28,756		(175,50	00)	(15,347)		(76,237)	10	0,654
	 25,756	80,522				12,442		20,782		1,157
\$ 109	\$ 22,688	\$109,278		\$(175,50	00)	\$ (2,905)	\$	(55,455)		,811

Special Revenue						
	Services	Care				
\$ - - -	\$ - 431,712 155,532	\$ - 86,860 27,317 25,649	\$ 95,975 - - -			
4,500	- - -	- - - -	- - -			
-	923	-	- - 7,851			
4,500	588,167	139,826	103,826			
7,402	-	- - - -	-			
- - -	578,672 - - -	1,323,674	53,749 - - -			
7,402	578,672	1,323,674	53,749			
(2,902)	9,495	(1,183,848)	50,077			
11,314	37,588	1,131,473	30,868			
11,314	37,588	1,131,473	30,868			
8,412 30,024	47,083	(52,375)	80,945			
\$38,436	\$ 70,353	\$ 8,624	\$5,819 \$166,764			
	Library (269)  \$ 4,500 4,500  7,402	County Law Library (269)  \$ - \$ - 431,712	County Law Library (269) Services (290) Care (292)  \$ - \$ - \$ - \$ 86,860 - 431,712 27,317 - 155,532 25,649			

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

				Capital Projects		
Veterans' Trust (294)	Commission on Aging (295, 295-1 & 295-2)	Jail Building Construction (466)	Sandy Beach Construction (471)	FIA Construction (498)	Drain Revolving (802)	Brooks Lak Boar (845
					(002)	(043
\$ -	\$ 482,218	\$ -	\$ -	\$ -	\$ -	\$
2,580	247,615 240,122	- - -	- -	-	- -	<b>D</b>
-	-	-	-	-	-	15,032
-	- -	-	-	-	-	2,156
-	444,801	-	13,032	-	-	-
<u>-</u> -	3,487 464	- - -	- -	3,909	-	- -
2,580	1,418,707	-	13,032	3,909		17,188
-	-	-	-	-	-	_
-	-	-	-	-	-	-
1,812	1,433,317	-	<del>-</del>	-	-	7,837
-	-	-	<del>-</del>	-	-	-
-	-	<del>-</del> -	266,651	-	-	-
	<u> </u>		-	· <del>-</del>	-	-
1,812	1,433,317	_	266,651	-		7,837
768	(14,610)	-	(253,619)	3,909	-	9,351
(300)	34,606	-	14,175	-	-	~
(300)	34,606	<del>-</del>	14,175			
468	19,996	-	(239,444)	3,909	<del>-</del>	9,351
304	310,267	7,417	239,444	441,746		>,551
\$ 772 \$	330,263	\$7,417	\$ -	\$445,655	<u> </u>	\$ 9,351

		Capital Pr	ojects	
September 30, 2004	Hess Lake- Improvement (846)	Diamond Lake Board (847)	Ryerson Lake Board (849)	Engel Wright- Lake Board (850)
Revenues				
Taxes Federal grants	\$ -	\$ -	\$ -	\$ -
State grants and distributions	-	-	-	-
Charges for services	-	~	-	-
Contributions from local units	-	-	-	-
Special assessments	_	27,499	36,203	5 220
Fines and forfeits	-	, .,,	50,205	5,220
Contributions from private sources Rents	-	-	_	-
Interest income	-	-	-	-
Reimbursements	-	-	-	-
Total Revenues	-	27,499	36,203	5,220
Expenditures		,	30,203	3,220
Judicial	_	_		
General government	-	<u>-</u>	_	-
Public safety Public works	<u>-</u>	-	-	-
Health and welfare	21,498	13,733	22,125	5,963
Recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt principal payments	<u>-</u>	-	-	-
Interest and fiscal charges		-	-	<del>-</del>
Total Expenditures	21,498	13,733	22,125	5,963
Revenues over (under) expenditures	(21,498)	13,766	14,078	(743)
Other Financing Sources (Uses)				` ,
Transfers in Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
		<u>-</u>	<del>-</del>	-
Revenues and other sources over				
(under) expenditures and other uses	(21,498)	13,766	14,078	(743)
Fund Balance, at beginning of year	59,937	7,000	18,578	. ,
Fund Balance, at end of year				9,334
or jour	\$ 38,439	\$20,766	\$32,656	\$8,591

#### Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

	Permanent Funds	Service	Debt S
Total All Funds	Cemetery Trust (151)	FIA (397)	ISD (395)
\$ 1,543,092 665,771 1,178,987 1,491,915 219,012 71,078	\$ - - - - -	\$ - - - - -	\$ - - - - -
27,963 537,843 5,000 68,840 812,726 6,622,227	2 - 2	63	54,526 14,509 69,035
623,676 102,796 2,540,650 100,513	- - - -	- - -	- - -
4,893,908 243,310 403,320 205,000 100,428 9,213,601	- - - - -	165,000 71,410 236,410	40,000 29,018 69,018
(2,591,374)	2	(236,347)	17
2,252,081 (75,971) 2,176,110	-	236,410	
(415,264) 2,781,094	2 237	63 128	17 121
2,365,830	\$ 239 \$	191	\$ 138 \$

September 30, 2004	1998 and prior Delinquent Tax (516, 516-1, 516-952, 516-962, 516-972 & 516-982)	1999 Delinquent Tax (516-992 & 516-995)	2000 Delinquent Tax (516-2 & 516-5)	2001 Delinquent Tax (516-12 & 516-15)
Assets				
Current Assets Cash and cash equivalents Investments Taxes and other receivables Due from other funds	\$ 548,544 2,138,582 1,888 34,000	\$ 98,873 680,000 65,000	\$253,760 601,415 143 58,644	\$250,459 98,902 350,230
Total Current Assets	2,723,014	843,873	913,962	699,591
Non-current Assets  Long-term advances to other funds  Delinquent taxes receivable  Interest on delinquent taxes	440,482 - 13,401	2,232	4,633	12,924
Total Assets	3,176,897	846,105	918,595	712,515
Liabilities and Net Assets				
Liabilities Current Liabilities Checks issued against future deposits Accounts payable Accrued wages payable Due to other funds	301,814 300 221	- 9 - -	-	1,662
Non-current Liabilities  Long-term advances from other funds  Note payable	302,335	9	- - -	1,662
Total Liabilities	302,335	9	_	1,662
Net Assets Unreserved	2,874,562	846,096	918,595	710,853
Total Net Assets	\$2,874,562	\$ 846,096	\$918,595	\$710,853

#### Non-Major Proprietary Funds

#### Combining Statement of Net Assets

2002 Delinquent Tax (516-22)	2003 Delinquent Tax (516-32)	Building	Total
\$ 300,000 85,000 - 385,000	\$ 300,886 1,494 	\$ 223,788 - - - 223,788	\$1,676,310 3,818,899 503,755 92,644 6,091,608
260,713	1,747,246	- - -	440,482 2,027,748 13,401
645,713	2,049,626	223,788	8,573,239
256,187 2,863 - - - 259,050	11,000	2,510	558,001 7,344 221 11,000
	11,000	2,510	576,566
11,500	1,865,000	-	11,500 1,865,000
270,550	1,876,000	2,510	2,453,066
375,163	173,626	221,278	6,120,173
\$375,163	\$ 173,626	\$221,278	\$ 6,120,173

September 30, 2004	1998 and Prior Delinquent Tax (516, 516-1 516-952, 516-962, 516-972 & 516-982)	1999 Delinquent Tax (516-992 & 516-995)	2000 Delinquent Tax (516-2 & 516-5)	2001 Delinquent Tax (516-12 & 516-15)
Operating Revenues  Land sale proceeds  Charges for services  Rents	\$ - 6,077 14,000	\$ - 85	\$ 18,924 421	\$273,480 10,715
Interest and penalties on delinquent taxes Reimbursements Other	81,563	15,402 15	17,266 1,655	91,710 166,432
Total Operating Revenues	101,797	15,502	38,266	542,337
Operating Expenses Supplies and operating expenses Interest expense Land sale disbursements	158,565 - -	42,427	6,975	51,223
Total Operating Expenses	158,565	42,427	87,890	147,819 199,042
Operating Income (Loss) before Transfers	(56,768)	(26,925)	(49,624)	343,295
Transfers Transfers in Transfers (out)	28,650 (69,304)	(274)	(2,423)	(8,891)
Total Transfers	(40,654)	(274)	(2,423)	(8,891)
Net Income (Loss)	(97,422)	(27,199)	(52,047)	334,404
Net Assets, at beginning of year	2,971,984	873,295	970,642	376,449
Net Assets, at end of year	\$ 2,874,562	\$846,096	\$918,595	\$710,853

#### Non-Major Proprietary Funds

# Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Delinquent Tax (516-22)	2003 Delinquent Tax (516-32)	Building Authority (569)	Total
\$ - 157,872 - 194,482	\$ - 85,271 - 125,641 - -	\$ - 317,180 - - -	\$ 292,404 260,441 331,180 526,064 168,102 157
352,354	210,912	317,180	1,578,348
8,792 104,058	26,011 11,275	119,579 - -	404,780 20,067 332,792
112,850	37,286	119,579	757,639
239,504	173,626	197,601	820,709
(6,658)	-	(243,667)	28,650 (331,217)
(6,658)		(243,667)	(302,567)
232,846	173,626	(46,066)	518,142
142,317		267,344	5,602,031
\$375,163	\$173,626	\$ 221,278 <b>\$</b>	6,120,173

Year ended September 30, 2004	1998 and Prior Delinquent Tax (516, 516-1 516-952, 516-962, 516- 972, 516-982)	1999 Delinquent Tax (516-992 & 516-995)	Delinquent Tax (516-2 &	2001 Delinquent Tax (516-12 & 516-15)
Cash Flows from Operating Activities Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations Changes in assets and liabilities	\$ (56,768)	\$ (26,925)	) \$ (49,624)	
Delinquent taxes receivable Due from other funds Checks issued against future deposits	116,236 511,118 (784,775)	44,613 -	16,304 (58,644)	327,772
Accounts payable Accrued liabilities Due to other funds	(1,686) 121	- - -	(8,000)	1,662
Net Cash Provided by (Used for) Operating Activities	(215,754)	17,688	(99,964)	672,729
Cash Flows from Capital and Related Investing Activities Purchase of investments Investment maturities Long-term advances to other funds Long-term loan to unaffiliated entity	875,114 (414,982)	(505,000) - - (65,000)	(601,415)	(98,902) - - (350,000)
Net Cash Provided by (Used for) Capital and Related Investing Activities	460,132	(570,000)	(601,415)	(448,902)
Cash Flows from Non-Capital Financing Activities Transfers from other funds	20.652			
Transfers to other funds	28,650 (69,304)	(274)	(2,438)	(8,891)
Net Cash Used for Non-Capital Financing Activities	(40,654)	(274)	(2,423)	(8,891)
Cash Flows from Capital and Related Financing Activities Principal payment on long-term debt Proceeds from long-term debt	<u>-</u>	- -	- -	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	_	_	
Increase (Decrease) in Cash	203,724	(552,586)	(703,802)	214,936
Cash, at beginning of year	344,820	651,459	957,562	35,523
Cash, at end of year	\$ 548,544		\$ 253,760	\$ 250,459

#### Non-Major Proprietary Funds

#### Combining Statement of Cash Flows

-	2002 Delinquent Tax (516-22) \$ 239,504	2003 Delinquent Tax (516-32) \$ 173,626	Building Authority (569) \$ 197,601	Total \$ 820,709
_	1,438,536 (302,245) 2,863	(1,748,740) - - - - - 11,000	33,057 - 2,510 - (17,607)	194,721 485,531 (1,087,020) (2,651) 121 (6,607)
	1,378,658	(1,564,114)	215,561	404,804
	(300,000) - (85,000) (385,000)	- - - -	- - - - -	(1,505,317) 875,114 (414,982) (500,000) (1,545,185)
	(6,658)	-	(243,667)	28,650 (331,217)
	(6,658)	-	(243,667)	(302,567)
	(987,000)	(1,250,000) 3,115,000	-	(2,237,000) 3,115,000
	(987,000)	1,865,000	_	878,000
	-	300,886	(28,106) 251,894	(564,948)
\$	-	300,886 \$	223,788 \$	2,241,258 1,676,310

September 30, 2004	Building Grounds Maintenance (631)	Campus Security (632)	Central Stores (633)	Information Services Projects (635)
Assets				(100)
Current Assets Cash and cash equivalents Investments Due from other governmental units	\$ 57,994 -	\$24,558 -	\$131,970 -	\$ - -
Taxes and other receivables	-	-	-	-
Total Current Assets	57,994	24,558	131,970	
Non-Current Assets Property and equipment Accumulated depreciation	97,891 (43,840)	<u>-</u>	81,602 (44,811)	356,065 (228,599)
	54,051		36,791	127,466
Total Assets	112,045	24,558	168,761	127,466
Liabilities and Net Assets				127,100
Liabilities Current Liabilities Checks issued against future deposits Accounts payable Accrued wages payable Due to other funds	27,085 2,930	- 1,679 -	195 199	55,838 125 602
Non-Current Liabilities Long-term advances from other funds	30,015	1,679	394	56,565
Fotal Liabilities	30,015	1.670	•	
Net Assets Investment in capital assets, net of related debt Unreserved	54,051 27,979	1,679	394 36,791	56,565 70,901
	41,717	22,879	131,576	_
Total Net Assets	\$ 82,030	\$22,879	\$168,367	\$ 70,901

# Internal Service Funds Combining Balance Sheet

Information Services (636)	Drain Computer (637)	Drain Maintenance & Construction (638)	Building Demolition Revolving (642)	Duplicating (645)	PC Coordinator Training (647)	Foo Servic (652
\$119,540	\$1,478	\$ 28,879	\$10,175	\$ 129,896	\$ 141,766	\$31,872
1,471	<u>-</u>	-	201	- - -	-	•
121,011	1,478	28,879	10,376	129,896	141,766	31,872
- -	<u>-</u>	35,240 (12,313)	 	144,375 (102,898)	-	<u>.</u>
-	<del>-</del>	22,927		41,477		
121,011	1,478	51,806	10,376	171,373	141,766	31,872
15,102 3,213	- - -	27 1,545	132 10,000	586 -	1,207	28,470 160
18,315	-	1,572	10,132	586	1,207	28,630
	-	10,500	-	-	_,	20,050
18,315	-	12,072	10,132	586	1,207	28,630
102,696	1,478	22,927 16,807	244	41,477 129,310	- 140,559	3,242
\$102,696	\$1,478	\$ 39,734	\$ 244	\$ 170,787		\$ 3,242

September 30, 2004	Telephone System (656)	Motor Pool (661)	Unemployment (676)	Health and Wellness (677)
Assets				
Current Assets Cash and cash equivalents Investments Due from other governmental units	\$124,169	\$ 53,991	\$227,914	\$825,078
Taxes and other receivables	11,297	-	-	<b>-</b>
Total Current Assets	135,466	53,991	227.014	2,899
Non-Current Assets Property and equipment	51,270	ŕ	227,914	827,977
Accumulated depreciation	(27,885)	1,098,544 (883,736)	-	-
	23,385	214,808		-
Total Assets	158,851	268,799	227,914	827,977
Liabilities and Net Assets				
Liabilities Current Liabilities Checks Issued against future deposits Accounts payable Accrued wages payable Due to other funds	3,282 62	437	239	1,346 1,773
Due to ome limes	-	27,614		-,,,,,,,,
Non-Current Liabilities Long-term advances from other funds	3,344	28,051	239	3,119
Total Liabilities	3,344	28,051	239	3,119
Net Assets Investment in capital assets, net of related debt Unreserved	23,385 132,122	214,808 25,940	227,675	824,858
Total Net Assets	\$155,507	240,748	\$227,675	\$824,858

# Internal Service Funds Combining Balance Sheet

<u> </u>	Retiree Health Insurance Program (731-1)	Workers' Compensation (696)	Reserve for Operational Contingencies (695)	Building Renovation (694)	Equipment Pool (692)	Liability Insurance (678)
\$ 3,932,710 1,230,115 9,578 15,868 5,188,271	\$695,406 - - - - 695,406	\$326,685	\$ 613,070 1,230,115 - - - - - - - - - - - - - - - - - -	\$58,398 - 9,578 - - 67,976	\$99,812 - - - - - - - - - - - - - - - - - - -	\$230,059
1,864,987 (1,344,082) 520,905	<u>-</u> -	<u>-</u>	<u>-</u>	<u>-</u>	- - -	-
5,709,176	695,406	326,685	1,843,185	67,976	99,812	230,059
55,838 162,868 14,749 1,331,222	- - - -	- - 259 -	2,175 1,279,608	1,560 415 14,000 15,975	10,171 - 10,171	72,307 334 
1,564,677 10,500		259	1,281,783	<u> </u>	· -	_
1,575,177	-	259	1,281,783	15,975	10,171	72,641
464,340 3,669,659	695,406	326,426	561,402	52,001	89,641	157,418
4,133,999	\$695,406	\$326,426	\$ 561,402	\$52,001	\$89,641	\$157,418

Year ended September 30, 2004	N.	Building Grounds Maintenance (631)	Campus Security (632)	Central Stores (633)	Information Services Projects (635)
Operating Revenues Charges for services Interest income Reimbursements Other	\$	\$ 486,081 - -	\$113,050 - 3,457	\$ 8,567 - -	\$ 37,399 - -
Total Operating Revenues		486,081	116,507	8,567	37,399
Operating Expenses Supplies and operating expenses Interest expense Depreciation		544,480 - 6,526	123,026	17,678	199,252
Total Operating Expenses		551,006	100.006	8,160	36,796
Operating Income (Loss) before Transfers		(64,925)	123,026 (6,519)	25,838 (17,271)	236,048 (198,649)
Transfers in Transfers out		83,770	10,583	30,000	176,489
Total Transfers		83,770	10,583	30,000	176,489
Net Income (Loss)		18,845	4,064	12,729	(22,160)
Net Assets, at beginning of year		63,185	18,815	155,638	93,061
Net Assets, at end of year	\$	82,030	\$ 22,879	\$168,367	\$ 70,901

#### **Internal Service Funds**

# Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Information Services (636)	Drain Computer (637)	Drain Maintenance & Construction (638)	Building Demolition Revolving (642)	Duplicating (645)	PC Coordinator Training (647)	Food Service (652)
\$ 64,925 - 904 -	\$ - 13 -	\$129,300 42 162	\$ - - -	\$ 62,723 - -	\$ - - -	\$ 444,424 - -
65,829	13	129,504	-	62,723	-	444,424
562,602	768 - -	115,204 560 2,002	10,762	67,878 - 24,523	95,649 - -	346,201
562,602	768	117,766	10,762	92,401	95,649	346,201
(496,773)	(755)	11,738	(10,762)	(29,678)	(95,649)	98,223
374,590 (46,941)	<u>-</u> -	<u>.</u>	11,000	-	99,251	(95,000)
327,649	_	-	11,000	-	99,251	(95,000)
(169,124)	(755)	11,738	238	(29,678)	3,602	3,223
271,820	2,233	27,996	6	200,465	136,957	19
\$ 102,696	\$1,478	\$ 39,734	\$ 244	\$170,787	\$ 140,559	\$ 3,242

Year ended September 30, 2004	Telephone System (656)	Motor Pool (661)	Unemployment (676)	Health and Wellness (677)
Operating Revenue Charges for services Interest income Reimbursements Other	\$142,186 6,021	\$ 44,640 - 10,747	\$ 36,554	\$ - 2,130,074
Total Operating Revenues	148,207	55,387	36,554	2,130,074
Operating Expenses Supplies and operating expenses Interest expense Depreciation	85,226 5,127	7,202 504,349	36,156	1,765,054
Total Operating Expenses	90,353	511,551	36,156	1,765,054
Operating Income (Loss) before Transfers	57,854	(456,164)	398	365,020
Transfers Transfers in Transfers out	<del>-</del>	- -	•	<u>-</u>
Total Transfers	_	_	_	
Net Income (Loss)	57,854	(456,164)	398	365,020
Net Assets, at beginning of year	97,653	696,912	227,277	459,838
Net Assets, at end of year	\$155,507	\$ 240,748		\$ 824,858

#### **Internal Service Funds**

# Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Total	Retiree Health Insurance Program (731-1)	Workers' Compensation (696)	Reserve for Operational Contingencies (695)	Building Renovation (694)	Equipment Pool (692)	Liability Insurance (678)
\$ 1,629,239 52,195 2,747,540 11,921	\$ - 65,150	\$ - 217,049	\$ - 52,140 - -	\$59,390 - - -	\$ - - 1,174	\$ - 324,723
4,440,895	65,150	217,049	52,140	59,390	1,174	324,723
4,760,398 560 587,483	7,675	237,737	75,829 - -	56,668	19,311	386,040
5,348,441	7,675	237,737	75,829	56,668	19,311	386,040
(907,546)	57,475	(20,688)	(23,689)	2,722	(18,137)	(61,317)
1,517,657 (1,444,637)	- -	<u>-</u>	731,974 (1,294,608)	(8,088)	-	<del>-</del> -
73,020	_		(562,634)	(8,088)		
(834,526)	57,475	(20,688)	(586,323)	(5,366)	(18,137)	(61,317)
4,968,525	637,931	347,114	1,147,725	57,367	107,778	218,735
\$ 4,133,999	\$695,406	\$326,426	\$ 561,402	\$52,001	\$ 89,641	\$157,418

Year ended September 30, 2004	Building Grounds Maintenance (631)	Campus Security (632)	Stores	Information Services Projects (635)
Cash Flows from Operating Activities Operating income (loss) Adjustments to reconcile operating income (loss)	\$ (64,925)	\$ (6,519)		\$ (198,649
to net cash provided by (used for) operations  Depreciation  Changes in assets and liabilities  Accounts receivable	6,526	-	8,160	36,796
Due from other governmental units	-	-	-	-
Checks issued against future deposits	-	-	-	-
Accounts payable	23,748	-	-	55,838
Accrued liabilities	2,001	986	195	125
Due to other funds	-,	700	199	(59)
Net Cash Provided by (Used for)			_	
Operating Activities	(32,650)	(5,533)	(8,717)	(105,949)
Cash Flows from Capital and Related Investing Activities Purchase of investments  Cash Flows from Non-Capital Financing	-	-	-	-
Activities				
Transfers from other funds	83,770	10.592	20.000	
Transfers to other funds	65,770	10,583	30,000	176,489
Net Cash Provided by (Used for) Non-Capital Financing Activities	83,770	10,583	30,000	176,489
Cash Flows from Capital and Related Financing Activities Repayment of long-term advances Purchases of fixed assets	-	-	-	-
let Cash Provided by (Used for) Capital and Related Financing Activities	_	-		(71,378) (71,378)
ncrease (Decrease) in Cash	51,120	5,050	21 292	
ash, at beginning of year	6,874	19,508	21,283 110,687	(838)
ash, at end of year	\$ 57,994	\$24,558		<u>838</u> \$ -

#### Internal Service Funds

#### Combining Statement of Cash Flows

Information Services (636)	Drain Computer (637)	Drain Maintenance & Construction (638)	Building Demolition Revolving (642)	Duplicating (645)	PC Coordinator Training (647)	Food Service (652)
\$(496,773)	\$ (755)	\$ 11,738	\$ (10,762)	\$ (29,678)	\$ (95,649)	\$ 98,223
-	-	2,002	-	24,523	-	-
-	-	-	-	- -	-	-
1,891 2,327	- - -	27 874	- - 117 -	586 (10)	691	2,689 154
(492,555)	(755)	14,641	(10,645)	(4,579)	(94,958)	101,066
-	-	-	-	-	-	-
374,590 (46,941)	-	<u>-</u>	11,000	<u>-</u>	99,251	(95,000)
327,649	-	-	11,000	-	99,251	(95,000)
-	<u>-</u>	(3,500) (3,100)	<u>-</u>	<u>-</u> ·	-	- -
		(6,600)	_	_		
(164,906)	(755)	8,041	355	(4,579)	4,293	6,066
284,446	2,233	20,838	9,820	134,475	137,473	25,806
\$ 119,540	\$1,478	\$28,879	\$ 10,175	\$129,896		31,872

Year ended September 30, 2004	Telephone System (656)	Motor Pool (661)	Unemployment (676)	Health and Wellness (677)
Cash Flows from Operating Activities			(070)	(077)
Operating income (loss)	\$ 57,854	\$ (45C 1CA)	_	
Adjustments to reconcile operating income (loss)	\$ 57,654	\$ (456,164)	\$ 398	\$365,020
to net cash provided by (used for) operations				
Depreciation	5,127	504,349	_	
Changes in assets and liabilities	·		-	-
Accounts receivable	(9,521)	-	_	8,760
Due from other governmental units	- '	_		0,700
Checks issued against future deposits Accounts payable	-	-	-	_
Accrued liabilities	3,282	437	-	1,346
Due to other funds	34		199	1,544
Net Cash Provided by (Used for)		27,614		
Operating Activities	56,776	76,236	597	376,670
Cash Flows from Capital and Related				
Investing Activities				
Purchase of investments	-	-	_	
Cash Flows from Non-Capital Financing Activities				-
Transfers from other funds				
Transfers from other funds  Transfers to other funds	-	-	-	_
Vet Cash Provided by Clark (2) N. C.				<u>-</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities				
- manering Activities	-	-	-	-
Cash Flows from Capital and Related				
Financing Activities				
Repayment of long-term advances	_	_		
Purchases of fixed assets	_	(49,589)	-	-
let Cash Provided by (Used for) Capital and		(12,502)		
Related Financing Activities		(49,589)	_	
ncrease (Decrease) in Cash	56,776	26,647	597	376,670
ash, at beginning of year	67,393	27,344	227,317	•
ash, at end of year			221,311	448,408

#### Internal Service Funds

#### Combining Statement of Cash Flows

Total	Retiree Health Insurance Program (731-1)	Workers' Compensation (696)	Reserve for Operational Contingencies (695)	Building Renovation (694)	Equipment Pool (692)	Liability Insurance (678)
\$ (907,546	\$ 57,475	\$ (20,688)	\$ (23,689)	\$ 2,722	\$ (18,137)	\$ (61,317)
587,483	-	-	-	-	-	-
(761 <u>)</u> (4,810)	-	-	- -	- (4,810)	-	-
55,838 (80,909) 9,743	- - -	(57,408) 196	2,175 - 1,279,608	1,560 211 14,000	5,521 - -	(67,083) 279
980,260	57,475	(77,900)	1,258,094	13,683	(12,616)	(128,121)
(127,345)	-	-	(127,345)	-	-	-
1,517,657 (1,444,637)	<u>-</u>		731,974 (1,294,608)	(8,088)	-	
73,020	-	-	(562,634)	(8,088)	-	-
(3,500) (124,067)	-	<u>-</u>	<u>-</u>	<u>-</u>	-	-
(127,567)	-	-			-	-
798,368	57,475	(77,900)	568,115	5,595	(12,616)	(128,121)
3,134,342	637,931	404,585	44,955	52,803	112,428	358,180
3,932,710	\$695,406 <b>\$</b>	\$326,685	\$ 613,070	\$58,398	99,812	230,059

#### Agency Funds

#### **Combining Balance Sheet**

September 30, 2004	Centra Payrol Processing (115)	Trust and Agency	Trust and Agency Outside Accounts (702)	Library Penal (721)	Total
Assets  Cash and cash equivalents  Due from other funds  Undistributed tax collections	\$ 82,344 459 -	\$5,859,409 - 482,143	\$269,302 - 	\$68,376 - -	\$6,279,431 459 482,143
Total Assets	\$82,803	\$6,341,552	\$269,302	\$68,376	\$6,762,033
Liabilities  Accounts payable  Trust deposits and bonds  Due to other governments  Undistributed receipts	\$63,462 - - 19,341	\$ 323,435 167,199 5,566,626 284,292	\$ - 171,788 43,662 53,852	\$ - - - 68,376	\$ 386,897 338,987 5,610,288 425,861
Total Liabilities	\$82,803	\$6,341,552	\$269,302	\$68,376	\$6,762,033

#### **Agency Funds**

# Combining Statement of Changes in Assets and Liabilities

	C	Balanc October 1 200	l,	Increases	}	Decreases	Sej	Balanc ptember 30 2004
Central Payroll Processing (115)						_		
Assets								
Cash and cash equivalents	\$	_	\$	13,464,01	R <b>\$</b>	13,381,674		\$ 82.344
Due from other funds		_		9,595,39		9,594,932	4	82,344 459
	\$		\$	23,059,409	 9 \$:	22,976,606	\$	
Liabilities							- 4	02,003
Trust deposits and bonds	\$		ø	(50.5:-				
Undistributed receipts	Ф	-	\$	650,542		587,080	\$	· - , · · -
	·			1,026,278		1,006,937		19,341
	\$		\$	1,676,820	\$	1,594,017	\$	82,803
Assets Cash and cash equivalents Undistributed tax collections		462,168 522,296	\$1	5,866,969 150,536	\$1:	2,469,728 190,689	\$5	5,859,409 482,143
	\$2,9	84,464	\$1	6,017,505	\$12	2,660,417	\$6	5,341,552
iabilities								
Accounts payable Trust deposits and bonds Due to other governments Undistributed receipts	2,6	57,477 35,959 91,028		5,164,174 387,069 3,848,725 213,754		3,840,739 377,347 5,918,058 120,490		323,435 167,199 ,566,626 284,292
						· · · · · · · · · · · · · · · · · · ·		

#### **Agency Funds**

## Combining Statement of Changes in Assets and Liabilities

		Balance			Balanc
		October 1,	_		September 30
	_	2003	Increases	Decreases	200
Trust and Agency – Outside Accounts (702)					
Assets					
Cash and cash equivalents		\$237,414	\$ 67,120	\$ 35,232	\$269,302
		\$237,414	\$ 67,120	\$ 35,232	\$269,302
				Ψ 33,232	\$209,302
Liabilities					
Trust deposits and bonds		\$155,216	\$ 36,488	\$ 19,916	¢171 700
Due to other governments		38,913	9,499	4,750	\$171,788
Undistributed receipts		43,285	21,133		43,662
		.:,200	21,133	10,566	53,852
		\$237,414	\$ 67,120	\$ 35,232	\$269,302
Frust and Agency – Library Pena (721)	ıl				, i
Assets					
Cash and cash equivalents	\$	58,869	\$435,300	\$425,793	\$ 68,376
	\$	58,869	\$435,300	\$425,793	\$ 68,376
iabilities					
Undistributed receipts	\$	58,869	\$229,547	\$220,040	\$ 68,376
	\$	58,869	\$229,547	\$220,040	\$ 68,376

# County of Newaygo

## Agency Funds

# Combining Statement of Changes in Assets and Liabilities

	Balance October 1, 2003	Increases	Decreases	Balance September 30, 2004
Total Trust and Agency				
Assets				
Cash and cash equivalents Due from other funds Undistributed tax collections	\$2,758,451	\$29,833,407 9,595,391	9,594,932	\$6,279,431 459
	522,296	150,536	190,689	482,143
	\$3,280,747	\$39,579,334	\$36,098,048	\$6,762,033
Liabilities				
Accounts payable Trust deposits and bonds Due to other governments Undistributed receipts	\$ - 312,693 2,674,872 293,182	\$ 5,814,716 423,557 8,858,224 1,490,712	\$ 5,427,819 397,263 5,922,808 1,358,033	\$ 386,897 338,987 5,610,288 425,861
	\$3,280,747	\$16,587,209	\$13,105,923	\$6,762,033

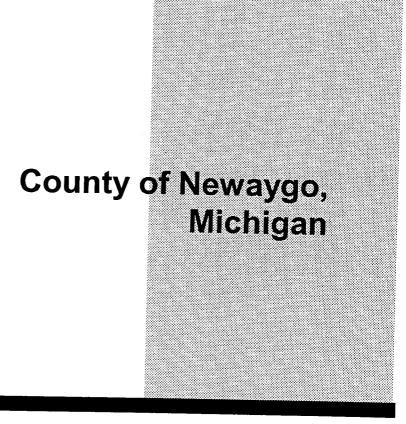
#### 801.0 Drain Fund

Our total 2004 Special Assessment Roll without the Lake Boards was \$230,518.00.

The Drains that have loans for longer than one year are listed below with the amounts due in this fiscal year.

## 2005 Special Assessment Roll for Long Term Debt

Atwood-Bridgeton       630.04         Atwood-Garfield       436.18         Atwood-Sheridan       1,357.02         Baker-Grant       5,000.00         Briggs-Dayton       1,427.00         Bunker-Sherman       2,200.00         Dayton #2-Dayton       1,946.00         Frantzen-City of Grant       952.00         Hesperia IC - Denver       7,165.45         Hindes - Sherman       3,288.55         Jennings-Ashland       31,661.49         Klooster-Sheridan       12,809.48         Koopman-Dayton       13,213.85         Kosten - Grant       32,836.06	Drain Name	Total to be Collected in 2005
Kosten - Grant 13,213.85	Atwood-Bridgeton Atwood-Garfield Atwood-Sheridan Baker-Grant Briggs-Dayton Bunker-Sherman Dayton #2-Dayton Frantzen-City of Grant Hesperia IC - Denver Hindes - Sherman Jennings-Ashland Klooster-Sheridan	1,427.00 2,200.00 1,946.00 952.00 7,165.45 3,288.55 31,661.49 12,809.48
McKinley - Ashland 3,954.71 118,868.73		13,213.85 32,826.96 



Management Letter Year ended September 30, 2004



801 W. NORTON AVE. - 4TH FL. MUSKEGON, MI 49441-4155 Tel: 231-739-9441 FAX: 231-733-0031

To the Board of Commissioners County of Newaygo, Michigan

During the course of our audit of the financial statements of the County of Newaygo, Michigan as of September 30, 2004 and for the year then ended, we observed the County's significant accounting policies and procedures and certain administrative, and financial practices.

As a result of our observations, we have prepared for management's review and evaluation, the enclosed memorandum containing suggestions regarding internal control, financial and administrative practices of the County of Newaygo, Michigan.

Matters which related to internal accounting control were not of a magnitude that would effect the presentation of the financial statements.

We appreciate the cooperation from management and the staff of the County of Newaygo, Michigan that our personnel received during the audit.

January 14, 2005

Priduia CaPres, PUC

### **Current Year Comments**

### **Cash Receipts - Duplicate Receipts**

During our documentation of the procedures and internal controls surrounding cash receipts, we noted that there are several cash receipt numbers that are reused from year to year. Additionally, we noted several instances of duplicate receipt numbers in the same fiscal year from different cash receipting locations. The use of pre-numbered sequential documents is an important internal control procedure to insure all items are accounted for.

#### Recommendation

In order to improve control and accuracy over cash receipts, we recommend that the County use one set of sequential cash receipt numbers. This will help ensure that there are not duplicate cash receipt numbers in the same fiscal year among different departments.

### Cash Receipts - Voided Receipts

During our documentation of the procedures and internal controls surrounding cash receipts, we noted that the clerks generating cash receipts in the Treasurer's office also have the ability to void a receipt. Currently, there is no one in the Treasurer's Office who is reviewing voided receipts for propriety.

#### Recommendation

We recommend that voided receipts be approved by an appropriate individual in the Treasurer's Office. We further suggest the County Treasurer review a voided receipt report at least monthly for unusual activity.

### **Bank Reconciliations - Timely Preparation and Review**

During our audit, we noted that bank reconciliations were not being prepared or reviewed on a regular basis. Timely preparation and review of bank reconciliations will help ensure that all related accounting transactions are properly recorded on the books of Newaygo County.

#### Recommendation

We recommend that the County strengthen bank account reconciliation procedures by performing monthly bank account reconciliations on a timely basis.

### **Current Year Comments**

## Adjusting Cash Accounts for Reconciling Items on a Timely Basis

During our review of bank reconciliations, we noted that there were several months of reconciling items outstanding that had not been posted to the general ledger. By allowing reconciling items to accumulate, the bank reconciliations become increasingly difficult and time-consuming to prepare and review.

#### Recommendation

We recommend the County record adjustments for all reconciling items during the reconciliation process each month. This procedure will improve subsequent reconciliations and eliminate the risk of reflecting inaccurate balances on the general ledger.

### **Property Tax Chargebacks**

During our audit of the Trust and Agency Funds, we noted that there exists a significant asset on the general ledger titled "Undistributed Taxes – Changes." Upon inquiry of this balance, we were informed that this account relates to property tax chargebacks which have not been completed for a number of years.

#### Recommendation

We recommend that property tax chargebacks be completed on an annual basis when the property tax settlements are completed with the other various taxing authorities. This will insure proper cash flow into the County and provide other taxing authorities with correct property tax revenue amounts.

### **Investment Summary**

During our audit of the financial statements for the year ending September 30, 2004, we requested a reconciliation of the investments held by the County with the amounts listed in the general ledger. While we received the listing for all of the investments held by the County as of September 30, 2004, a reconciliation between the general ledger and this detail was not prepared until January 2005.

#### Recommendation

In order to insure that there is a central record of all investments held by the County, a schedule detailing all of the investments held by the County should be maintained and reconciled to the respective general ledger accounts monthly.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Commissioners of the County of Newaygo, Michigan

We have audited the financial statements of the County of Newaygo, Michigan as of and for the year ended September 30, 2004, and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Newaygo, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the County of Newaygo, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the attached schedule is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Newaygo, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the County of Newaygo, Michigan in a separate letter dated January 14, 2005.

This report is intended solely for the information and use of the audit committee, Board of Commissioners of the County of Newaygo, Michigan, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ridura LaPres, PLLC

Muskegon, Michigan January 14, 2005





Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133

To the Board of Commissioners of the County of Newaygo, Michigan

#### Compliance

We have audited the compliance of the County of Newaygo, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The County of Newaygo, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Newaygo, Michigan's management. Our responsibility is to express an opinion on the County of Newaygo, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Newaygo, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Newaygo, Michigan's compliance with those requirements.

In our opinion, the County of Newaygo, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

#### **Internal Control Over Compliance**

The management of the County of Newaygo, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Newaygo, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County of Newaygo, Michigan's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described in the accompanying schedule is a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Newaygo, Michigan as of and for the year ended September 30, 2004 and have issued our report thereon dated January 14, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Newaygo, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, Board of Commissioners of the County of Newaygo, Michigan, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Priduia CaPres, PLCC

Muskegon, Michigan January 14, 2005

## Schedule of Expenditures of Federal Awards

	OFD 4	Curren
Year ended September 30, 2004	CFDA Number	Year
	TAUTHUEL	Expenditure
Department of Justice		
COPS Technology Grant (2003-CKWX-0135)	16.710*	\$ 298,050
Pass through Michigan Family Independence Agency		
Juvenile Accountability Inc. Block Grant (JAIBG-04-62001)  Northern Michigan Accountability Block Grant (JABGN-04-62001)	16.540	17,324
Trothern Wichigan Accountability Block Grant (JABGN-04-62001)	16.540	69,536
		384,910
Department of Health and Human Services		
Passed through Michigan Family Independence Agency		
Prosecutor Cooperative (IV-D Incentive) (04-62002)	93.563*	104,260
Friend of the Court Cooperative (IV-D Incentive) (04-62001)	93.563*	429,050
		533,310
Department of Housing and II-bar D		,
Department of Housing and Urban Development HOME Program (2001-789)		
Passed through Michigan State Housing Development Authority	14.239	124,807
Community Development Block Grant (MSC-2004-0789-HOA)	1.1.000	
Josephient Block Grant (WISC-2004-0789-HUA)	14.228	12,493
		137,300
Department of Homeland Security		
Passed through the Michigan Department of State Police		
SDPEG Grant	97.004	10,091
	77.004	10,091
Percent through the Militian Rency		
Passed through the Michigan Department of Statement Police		
Emergency Management Performance Grant (3067-0080)	83.552	2,470
		\$1,068,081

<sup>\*</sup>Denotes major program

## Notes to Schedule of Expenditures of Federal Awards

#### 1. General

Expenditures are recorded on the accrual basis of accounting. Revenues are recognized when qualifying expenditures have been incurred and all other grant requirements have been met.

# Schedule of Findings and Questioned Costs September 30, 2004

#### Section I - Summary of Auditors' Results

#### Financial Statements

The auditors' report expresses a qualified opinion on the financial statements of the County of Newaygo, Michigan.

The audit did not disclose any material weaknesses relative to internal control over financial reporting. However, reportable conditions that are not considered to be material weaknesses were identified during the audit.

The audit did not disclose any noncompliance, which is material to the financial statements of the County of Newaygo, Michigan.

#### Federal Awards

The audit did not disclose any material weaknesses relative to major programs. However, reportable conditions that are not considered to be material weaknesses were identified during the audit.

The auditors' report related to compliance for major programs expresses an unqualified opinion for the County of Newaygo, Michigan.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The County had two major programs: Prosecutive Cooperative/Friend of the Court Cooperative (IV-D Incentive) Grants (CFDA Number 93.563) and COPS Technology Grant (CFDA Number 16.710).

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The County of Newaygo, Michigan did not qualify as a low-risk auditee.

# Schedule of Findings and Questioned Costs September 30, 2004

#### Section II - Findings Related to the Financial Statements

2004-1 Bank Reconciliations - Timely Preparation and Review

#### Condition

During our audit, we noted that bank reconciliations were not prepared or reviewed on a regular basis. Timely preparation and review of bank reconciliations will help ensure that all related accounting transactions are recorded on a timely basis.

#### Recommendation

We recommend that the County strengthen bank account reconciliation procedures by performing reconciliations on a timely basis.

#### Planned Corrective Action

The new County Treasurer and the Office of Administration are committed to working together and improving communication to ensure that future bank account reconciliations are performed in a timely manner.

2004-2 Adjusting Cash Accounts for Reconciling Items on a Timely Basis

#### Condition

During our review of bank reconciliations, we noted that there were several months of reconciling items outstanding that had not been posted to the general ledger. By allowing reconciling items to accumulate, the bank reconciliations become increasingly difficult and time-consuming to prepare and review. In addition, as items are not posted to the general ledger the cash balances as reflected on the general ledger may be inaccurate.

#### Recommendation

We recommend the County record adjustments for all reconciling items during the reconciliation process each month. This procedure will improve subsequent reconciliations and eliminate the risk of reflecting inaccurate balances on the general ledger.

#### Planned Corrective Action

The new County Treasurer and the Office of Administration will create better communication and develop procedures to ensure that adjustments for all reconciling items can be recorded during the reconciliation process each month.

Schedule of Findings and Questioned Costs September 30, 2004

Section III - Findings and Questioned Costs for Federal Awards

See items 2004-1 and 2004-2 identified in Section II.